Meat board pushing for new marketing set-up

THE Meat Board is quietly pushing for the establishment of a meat market development organisation that seems aimed at taking over the marketing of all the country's lamb and mutton.

A discussion paper on how the organisation could be established has been circulating among approved parties since August last year, and there are signs that the board wishes to step up its campaign.

The board has both short and long-term objectives for its meat market development organisation, with the long-term considerations causing most concern in the meat processing industry. Its traditional role in marketing would diminish markedly if such an organisation is set up.

The short-term objective is to minimise the price consequences of a major disruption to the country's lamb and mutton trade.

This is not a new aim for the Meat Board. Several years ago, it set up its Meat Mark organisation in Britain to buy New Zealand's produce and held on until prices rose. Much criticism was heaped on the board for interfering with natural market forces.

In August, 1978, then board chairman Charles Hilgendorf announced that the board was considering taking over the marketing of all export mutton.

Citing producer support, Hilgendorf said then that in three of the previous four seasons, the board had had to intervene to sustain prices.

He listed the main advantages as the elimination of weak sellers, the prospect of negotiating more stable marketing arrangements with Japanese buyers, the ability to realise realistic prices for each mutton grade and the opportunity to upgrade mutton through product development and improvement.

Chief disadvantages were possible difficulties in obtaining killing space for ewes from processing companies no longer able to market mutton, storage problems and no guarantee that board marketing would always ensure good prices.

The long-term objective of the new scheme is to develop a market-oriented approach in the industry.

The board believes that market planning and co-ordination between the industry and the board have been operating for years in a rudimentary way with the British lamb-shipping programme.

Now that voluntary restraints on shipments to the EEC have been introduced, an "early warning system" recording lamb and mutton sales to all global destinations — by volume and price — should be instituted.

Once agreement on that has been reached with the Meat Exporters Council, which represents the industry, discussions on contingency plan procedures should be used as the vehicle to establish its proposed market development organisation with 50/50 board and industry representation.

Its functions would be many, the board envisages. It would assume the planning role in relation to the EEC voluntary restraint procedures and associated system of sales reporting instituted as a consequence.

It would become the prime contractor, and where possible, managing agent, for all single-seller markets including Iran, Iraq, Peru and Chile, but with the initial exception of Devco.

Producer stabilisation functions would remain with the Meat Board, but the new organisation would be responsible for market intervention activities at the minimum price levels, although beef could initially be excluded.

Its marketing development functions would include test marketing of new products, the establishment and application of differential pricing procedures where necessary, and the establishment of non-traditional markets such as Morocco, Libya and Nigeria.

If there was a major market dislocation, it would offer to buy product from all owners at a minimum FOB equivalent price.

It would then promote the orderly disposal of product, through sales in current form to non-traditional markets at substantial discount, but at the same time, ensuring enhanced total revenue on a global basis.

It would also redefine the product into such categories as boneless to enable easier disposal and control storage in various regions, including strategic market points.

For all this work, the board believes a professional secretariat is required, and some secondment from both the industry and board would be required as an indication of commitment.

As for financing, the board believes that part of its levy income and funds in the Meat Income Stabilisation Account could be used to establish the new industry's financial base. There would also be commissions from sales.

The board also believes that given the Government's stance on reducing its involvement in the private sector, the time appears opportune to ensure the directorship does not involve Government department representation.

Instead, there should be equal board and industry representation, with the board representatives being ex officio members, and the industry coming from the executive of the Meat Exporters Council.

The new proposal indicates that the board wants to bring marketing brought under its control, when the meat trade's "natural market forces" have to be redefined.

In the board's latest annual report, chairman Adam Begg said: "New Zealand has been fortunate that the Middle East has become a counter-balancing customer. If natural forces are allowed to operate in the future, it is conceivable that within a few years, the Middle East could become our biggest single regional customer."

However, in view of the marketing organisation proposal, "natural market forces" would no longer exist and competitive private company exporters, who seemingly are considered to have outlived their usefulness.

Adam Begg . . . put out by

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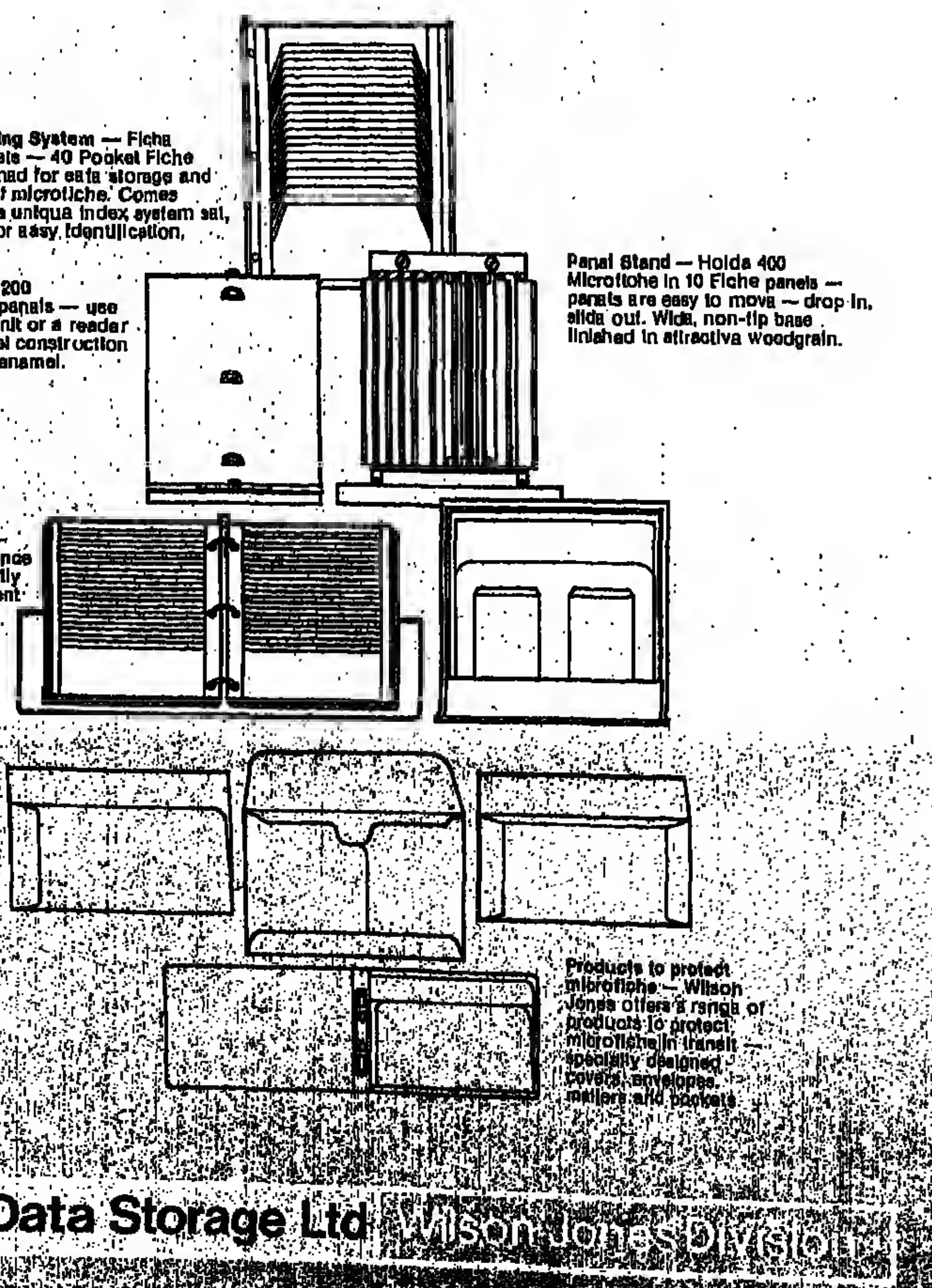

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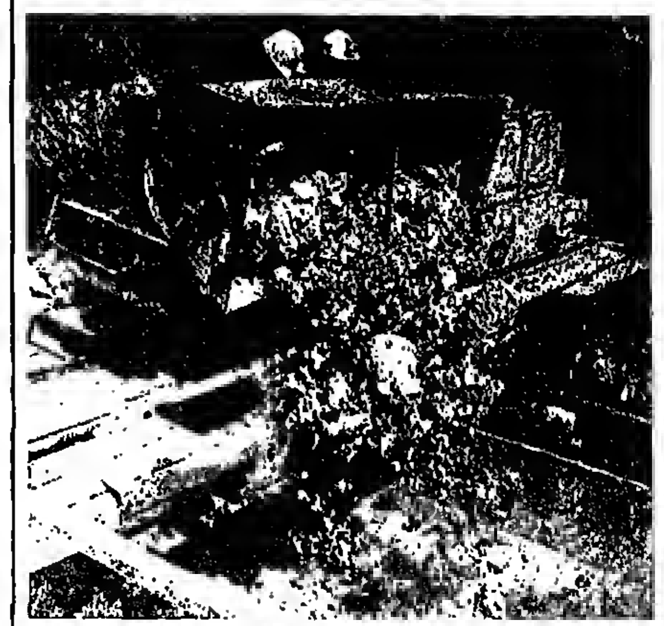
Min Resources strikes Waihi bonanza



Paydirt . . . tipping a truck of gold and silver ore into a dump truck at the Amaranth portals.

by Warren Berryman

MINERAL Resources (NZ) Ltd has struck gold/silver ore understood to be running a hefty six grams gold and 360 grams silver a tonne in two recently reopened mines in its Union Hill prospect near Waihi.

Six major mining companies will visit the site in the next two weeks with an eye to buying into the prospect.

Mineral Resources' Union Hill mining licence area is less than a kilometre from the big Martha Hill prospect which the company farmed out to the American molybdenum giant, Amax, in 1979.

Amax bought an 80 percent interest in Martha Hill for $1 million and has spent more than $2 million diamond core drilling the prospect with encouraging results. Amax had first right of refusal for the Union Hill prospect, which it declined to exercise.

Gold prices have increased along with rising optimism among the Waihi prospectors. And Mineral Resources' managing-director Jack Barbarich has upped the ante for Union Hill, straining relations between his company and Amax, its partner.

Barbarich, an enthusiastic prospector and self-defined horse trader, said Amax got "a bloody bargain" buying into Martha Hill for $1 million.

"I sold Martha when gold was only $260 an ounce," he said. "Now it's more than double that. If I was selling Martha today I'd be asking for $5 million up front."

It is understood the asking price for Union Hill is $1 million up front, plus $500,000 each year for the following three years, in return, the mining major would get 60 to 70 per cent of any mine that might eventuate.

Barbarich's friends and colleagues say he has learned fast the game of negotiating with the majors.

Jack Babarich . . . ups ante.

If he is able to swing such a deal with a mining major, it will be history repeating itself — in trumps.

Unlike other Kiwi mining ventures, Mineral Resources has remained in the game long enough and strongly enough to deal with the majors.

See story — Page 12

Uranium in Chathams raises new questions

by Ann Taylor

A JOINT German-New Zealand venture will re-examine Chatham Rise phosphorite deposits which potentially could provide a vast amount of fertiliser and save millions of dollars in overseas exchange.

But the economics, the high uranium content, the exact value of the phosphate and the Germans' motivation have raised a number of questions.

A German ship is sailing to the Chatham Rise, ostensibly to advance the economic assessment and undertake a further geological survey.

It is the second voyage initiated by the Germans. The first was a government-to-government expedition under a scientific and technological co-operation agreement signed four years ago.

This expedition includes representatives of two German metal companies, Preussag and Salzgitter, and Fletcher Challenge.

The German companies have expressed interest in furthering their deep-sea mining technology. They have not had previous experience in phosphate.

The ship — the Sonne — is described as the "largest and most efficient German research vessel".

But David Cullen, the DSIR Oceanographic Institute scientist leading the New Zealand party has made clear the uranium values and potential of the deposit.

Although the uranium values are variable, most contain 150 to 250 parts a million, and values up to 435 ppm are not uncommon.

Land deposits containing more than 100 ppm are regarded as potential ore if they are big enough.

Continued on Page 16

"Think big" troubles

"... THESE projects will represent a major new element in the New Zealand economy, making a very considerable contribution either directly or indirectly towards the 200,000 extra jobs that we need during the decade." — **Prime Minister Rob Muldoon, the Orewa speech, January 13, 1981.**

"Our energy assets are just that, an asset. They must not disguise the reality that we are a small trading nation, with a high specialised export base and expectations of a high living standard, that must compete on a trans-Tasman market for skills, and no amount of wishful thinking, or attempted cover-up can disguise the specific fallacies that the 'think big' programme has to face." — **Opposition leader Bill Rowling, address to Christchurch Media Club, January 12, 1981.**

Panacea or placebo? The saviour of the nation or a sugar-coated election pill?

The Government is using every opportunity to promote the major projects earmarked for development over the next decade as the economic miracle of the 1980s.

But after a six-months investigation into the projects and their claimed benefits, *NBR* staffer Allan Parker finds some nasty worms beginning to come out of the woodwork.

Parker next week begins a series of articles on the problems facing the energy-based developments. His first article deals with industrial problems — Green Arrow, the Taranaki Darts Club, and the boilermakers.

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The week

Horton 'yes', ATN undecided on TV leasing

by Warren Mayne

ONLY one of the "big two" contenders for running a private enterprise TV network has confirmed it will take the first step — applying to lease unprofitable daytime hours on TVNZ'a Network One.

Wilson and Horton-backed Northern Television last week told *NBR* it would bid for the full 31 houra weekly offered by the Broadcasting Corporation. But the rival Alternative Television Network group may have dropped out.

ATN — backed by Independent Newspapers, NZ News and Hauraki Enterprises — last week went through some soul-searching with the British commercial TV company, Thames Television.

Thames, the London ITV operator whose interests in New Zealand private TV go back a decade to Gordon Dryden's second-channel bid, is interested in taking up to 10 per cent holding in ATN.

Thames programme director Richard Dun has been in Auckland on a reconnaissance of ATN's proposals.

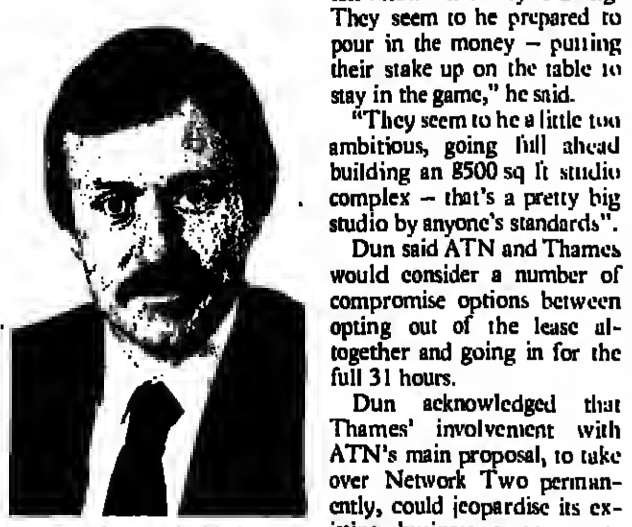
His feasibility report, along with an engineering study done a few weeks ago, will go to Thames' board in London before the British company makes a definite commitment to backing ATN, whose real objectiveis to takeover TVNZ's network fulltime.

Neither Dun nor ATN managing-director Mike Wall were prepared last week formally to opt out of the daytime leasing race.

But Dun made clear that the time TVNZ was offering private enterprise was not attractive commercially — time between 9am and 2pm daily when TVNZ does not transmit and used in Britain only for obligatory school broadcasts.

"Any one who took up the full 31 hours TVNZ is offering would find it most difficult to make it viable for the first three years — the lease period TVNZ is offering," Dun said.

"You could make it borderline profitable by stacking the time with cheap overseas shows, but that's not really on if you regard the lease time as a chance to show the public what you can offer . . . a most tricky game of bridge", said Dun.



Mike Wall . . . undecided.

Taking up the lease on TVNZ's terms would be a major risk for either ATN or Northern, said Dun.

"I assume Wilson and Horton know what they're doing. They seem to he prepared to pour in the money — putting their stake up on the table to stay in the game," he said.

"They seem to he a little too ambitious, going full ahead building an 8500 sq ft studio complex — that's a pretty big studio by anyone's standards".

Dun said ATN and Thames would consider a number of compromise options between opting out of the lease altogether and going in for the full 31 hours.

Dun acknowledged that Thames' involvement with ATN's main proposal, to take over Network Two permanently, could jeopardise its existing business arrangements with the state corporation.

"They won't give up Two without one hell of a battle. We'll have some idea of how the climate for the ATN proposal is next year, after we see if National or Social Credit come out on top in the election."

Auckland sources and the Broadcasting Corporation hierarchy in Wellington suspect that Thames has major reservations about getting into the unprofitable morning TV lease — reservations that reinforce the doubts the ATN backers have had all along.

Northern's Graeme Douglas, however, said the W and H combine was a definite bidder for the full lease.

Meanwhile, the man who almost got a private TV network in 1972, Radio Pacific's Gordon Dryden, is in the hunt. He confirmed that Pacific would apply for the Saturday and Sunday morning leases for children's programming on the Saturday and current affairs talk format on Sundays tied in with ne...

Dryden, negotiating for facilities with Andy Tyler's Video Workshop (which took over INL's Concept Video operation in Wellington), said he had been given a flat no from the BCNZ for other proposals — to lease unused radio time on the YC network, to lease TV for a nightly talk show ... 10.30pm and for access to TVNZ studio facilities.

The week in brief

FOREST Products broke through trade union insistence on natural gas danger money payments before industrial users could start burning Maui gas. New Plymouth power station workers who set the precedent are renegotiating their allowances at the behest of the Government.

SOUTH Pacific Aluminium Ltd, the Fletcher Aluisuisse joint venture asked the Government to invoke the fast-track National Development Act for the Aramoana smelter.

FEDERATED Farmers leader Allan Wright will go back to the farm after four years as president.

JAPAN froze butter imports — Dairy Board expects ... and renegotiated timber contracts at substantially ... prices and quantities.

THE Forest Service's business activities are to be reviewed ... suggested by the Auditor-General with a view to establishing a forestry corporation.

TENDERS for the first ... tioned import licences ... opened nearly two years ... the scheme was announced ... the 1979 Budget.

UNITED States President Ronald Reagan survived ... assassination attempt by ... year old Nazi Party reject.

The week ahead

MONDAY: Institute of Management seminar on user management and control of the EDP function, Wellington.

WEDNESDAY: Institute of Management seminar on job analysis, job evaluation and salary administration, Wellington till Friday.

Bowring Burgess AGM, Wellington.

FRIDAY: Pharmaceutical Society centenary conference, Christchurch, till Monday.

The week

Lease puts shipping line on sounder footing

by Rae Mazengarb

THE Shipping Corporation last week completed a major financial restructuring with a leverage lease package for the New Zealand Pacific.

Thought to be the biggest deal of its type transacted here, it puts the corporation on a sound financial footing for future investment expansion — including a possible move into the LPG distribution area — without the need to call up $20 million authorised capital not yet paid.

And the deal keeps the ownership of the nation's $84 million flagship within New Zealand.

Similar to arrangements made for the New Zealand Caribbean, now registered under British ownership, the latest lease arrangement was put together by the Development Finance Corporation.

The Bank of New Zealand becomes the equity partner, or nominal owner in the venture, but so far the name of the debt partner has not been disclosed.

Nor has the consideration for the deal been disclosed, but sources say it is "very beneficial" to the corporation.

It may mean that after only two years the 44,000-tonne vessel has been fully paid for plus interest, yet economic ownership and full control and management still remain with the corporation.

And in about 12 years, when the ship has been largely written off, the corporation can apply to repurchase it.

The Shipping Corporation is not saying too much about the leasing arrangement, but one spokesman confirmed ownership of the New Zealand Pacific could revert back at the end of its economic life (about 15 years), for a sum which "won't be a large figure."

The possibility of this arrangement was first mooted before the New Zealand Pacific was delivered in late 1978, but a number of factors made the benefits insufficient to justify a switch from traditional financing arrangements.

At one stage the corporation looked at a deal involving an American group, but decided against exposing such a major asset to the risk of currency fluctuations.

Further, as one source confided, it would have meant the nation's flagship being registered in America and flying the American flag; "it fits into the syndrome of an emotive issue," he said.

In terms of cash flow, the economic benefits of the leasing deal should become clear later on in the year. It is likely the first effects will be reflected in the profit and loss accounts in the year ended August 31.

This is not the only move the corporation has made recently to restructure its finances.

Early last year, the corporation established a wholly-owned Canadian subsidiary to raise cash to finance some of its interest bearing debt.

It set up another subsidiary in Singapore and issued $50 million of preferred shares in Canada, channelling the money through Singapore back to New Zealand.

In that way the corporation managed to finance its loans at a very low rate of interest.

The leverage lease arrangement should send the corporation sailing into a good profit situation, but already it is looking into a number of potential areas of investment — among them the north west Pacific area, around Japan and Korea.

But while there are a number of other projects "further down the line", it has not gone without notice that the leasing arrangement comes at a time when the corporation is keen to get involved with the distribution of LPG around the coast.

Its rival, the Union Steamship company, is also vying to win the tender for a $9 million LPG coastal carrier.

More evidence of fishing 'Russian connection'

by Allan Parker

FURTHER evidence surfaced last week to indicate that the Soviet Union is conducting an international price-cutting war against New Zealand's fishing industry by using fish caught by their trawlers in our waters.

Local industry sources believe the Russians are trying to sink local competition by artificially lowering prices on international markets.

The Russians have made overtures to Egypt to supply New Zealand-caught fish 30 per cent lower than prices offered by New Zealand interests (*NBR*, March 30).

The Russian offer was made while New Zealand and Egyptian officials were negotiating a deal after the visit here by Egyptian Supply and Home Trade Minister Ahmned Nouh. At the end of that visit, the minister publicly expressed an interest in buying New Zealand fish.

The Russian offer came through a Swedish company, Joint Trawlers Ltd, which is known to arrange bulk package fish deals on behalf of the Soviet fishing fleet.

The company said it would supply the fish to Egypt through Marisco, a joint Soviet-Singapore cool-store processing and distribution operation located in Singapore.

NBR was told last week that a similar and successful effort to price local sales out of the international market — with New Zealand-caught fish — was made in Spain last year.

Russian interests, again using the Marisco connection, put New Zealand squid into Spain for $700 a tonne.

The presence of New Zealand squid prompted a number of contacts between New Zealand and Spanish fishing interests, including a number of visits here.

But the price offered by New Zealand was some 30 per cent higher than the Russians were able to sell it for to the Spanish, prompting one of the visitors to complain that New Zealand squid was badly over-priced.

But one industry source who had dealings with Spain argued that his company could compete with nations like Taiwan, Korea, Hong Kong, Malaysia and Singapore by combatting their cheaper labour with increased mechanisation.

The raw material costs are about equal, he said.

The major concern in the industry is the trend towards lower prices being offered by the Russians, particularly through the Marisco operation, which acts as a large clearing house for Soviet Pacific fishing fleets.

"We are purchasing the squid at market rates but the price we can get is being increasingly pegged to Marisco prices," said one company executive.

"Their (the Soviets') mentality seems to be to knock out the rest of the competition and then have it all to themselves.

"There is a definite effort by the Russians to frustrate New Zealand efforts to process and market its own product."

Local fishermen are particularly angered that the Russians are using New Zealand-caught fish to carry out that apparent aim.

Three New Zealand organisations operate joint ventures with Russion fishing interests: Fletcher Fishing (part of the Fletcher Challenge group), Sanfords and Amalgamated Marketing Ltd. All are Auckland-based operations.

The general manager of Sanford's, Neil Mills, spoke to *NBR* on behalf of his company and Amalgamated Marketing. He described claims that Russia was trying to undercut New Zealand fish sales to Egypt as "a lot of hogwash" because Russian trawlers under the joint venture arrangement do not catch mackerel or barracouda.

Asked about the Spanish squid sales, he said it was difficult to determine the destination of fish once in the hands of the Soviets.

He said that if his company had evidence that the Russians were undercutting New Zealand marketing efforts by offering cheaper New Zealand-caught fish it "would be screaming at the Soviets and they would be reacting".

The managing-director of Fletcher Fisheries, Eric Henry, was away from his Auckland office. Attempts to contact him in Dunedin had proved unsuccessful by press time because of his busy schedule.

The Government is aware of the Russion under-cutting and the anger it is creating in the local industry but, according to a spokesman, "it is a problem without a ready resolution."

"If we don't let the Russian joint ventures do this, we may end up with no joint ventures, which are at least an effort to get New Zealand involvement," the official said.

As well, he said, New Zealand has an obligation under the Law of the Sea treaty to allow foreigners to take fish that New Zealand is unable to catch.

The week

Hobart-NZ air link breaks even in trial period

by Klaus Sorensen

AFTER some initial doubts, the twice-weekly Hobart-Christchurch trans-Tasman air link has proved successful.

Ansett New Zealand manager Bill Glasgow told *NBR* last week his airline's service had passed the point of profitability with leadings of around 60 per cent — the break-even point.

Ansett flies the route every Tuesday, and as part of the agreement TAA flies in and out every Saturday.

But Ansett has not yet heard from the Government on its view of the service — one month after the required three month trial period has elapsed.

The "Southern Connection" got off the ground on December 3 last year.

The service has a 12-month licence, but a rider of a three-month trial period was added to the initial approval from both the New Zealand and Australian Governments.

Referring to the review, Glasgow told *NBR* "nobody seems to have taken any notice. The Government hasn't said anything, so presumably since we haven't heard from them they must be happy with it".

Ansett waa "very happy" with the way things have turned out, Glasgow said. He cited last Tuesday's flight, which left with 85 passengers. The return flight carried 82.

The airline uses Boeing 727 aircraft, which seat 146 passengers, and Glasgow says the economic break-even point is around 60 per cent (about 85 passengers).

TAA is in a "pretty similar" situation, and Glasgow says the important point for the two airlines is "we've proved there was a market there".

He admits to being a little surprised by the number of passengers coming into Christchurch on the return flights because filling this flight was expected to be the most difficult part of the service.

While the service has begun at a good time — the peak period is the summer months from September to May — Glasgow is prepared for some fall in patronage during winter.

"The latter atages of May, til July could be a bit iffy," he said. But he hopes the local ski aeason may help to fill seats.

One reason for the good number of passengers on return flights is that 40 to 50 per cent of New Zealanders using the service stay in Tasmania rather than use the flight as a springboard to the rest of Australia.

But Ansett believes specialist tours may be its most important orea. "We're only now getting into gear for sporting and cultural tours," Glasgow said.

The success of the service is important to Ansett and TAA for reasons other than just profitability.

Apart from a few service flights to places like Papua-New Guinea, the Hobart-Christchurch link is Ansett's first major international route.

Until this link international flights had been the sole preserve of Qantas, with Ansett and TAA sticking to domestic routes.

But for the two domestic airlines, the trans-Tasman link is a foot in the door which may lead to other international flights.

The justification of the Hobart-Christchurch link was that Ansett and TAA could provide smaller jets on a route which would have been uneconomic for Qantas' larger Boeing 747s — and aviation sources believe the two will use this wedge to get further Pacific links.

Import licences: testing the law . . .

by Rae Mazengarb

A SUCCESSFUL appeal in the Christchurch High Court against conviction of a businessman for misuse of import licences has not changed Customs Department attitudes to a number of similar cases still to be heard.

Former Christchurch city councillor Perer Blaxall had been convicted in a lower court in April 1979 on a charge of illegally importing $2013 worth of jewellery fron Hong Kong.

The jewellery was imported under the terms of a licence granted to a company in the K F Meates Group, Godfrey Allen Ltd.

The magistrate said Godfrey Allen Ltd had had no knowledge of the order when it had been made. "It was at all times Blaxall and Steven purchasing goods and bringing them into the country," he said.

On appeal, Mr Justice Roper found it not proved that Blaxall's involvement was accompanied by the required ingredient of a "guilty mind".

He said the inquiry was one of considerable difficulty, but he had to conclude that the magistrate had acted in error in holding that the error in holding that the appellant had acted knowingly.

Further import licensing prosecutions are proceeding.

Informations in respect of another Christchurch businessman, Kevin Meates, and his companies, were due to be called in the Christchurch District Court last Friday.

The Christchurch Collector of Customs said further charges against Blaxall and Steven Ltd were also outstanding.

Some 149 charges are still to be heard against the company.

Robin Dare, chief officer of the Customs Department's head office enforcement division, told *NBR* last week he had not yet received the judgment, in the Blaxall case.

The Christchurch office had been asked to forward a copy; meonwhile the Crown Solicitor still intended to proceed with the outstanding charges, Dare said.

He said each case had to be looked at in relation to its particular circumstances and the particular charge laid.

It was unlikely the Blaxall decision would affect the department's approach in principle, Dare said.

. . . and the state of competitiveness

by Allan Parker

JUST under 500 wooden-spooners will be told this week by how much they missed out in the great import tendering scheme lolly scramble.

Under the scheme, bidders and their renders will be made public.

The full list of unsuccessful tenderers for a share of the $10 million first-round allocation under the Government's new scheme to test the competitiveness of the local consumer goods industries should be published in the *Gazette* this week.

Hopefuls for the first round were asked to submit tenders for a variety of goods such as apparel, foodstuffs, toiletries, paper products and sporting goods.

The tenders were opened in Wellington last week and winners named after *NBR* went to press.

As well as testing local competitiveness, the scheme should help the Government to determine the probable effectiveness of the tariff as a protective barrier, according to acting Trade and Industry Minister Derek Quigley.

He also hopes the scheme will provide an opportunity for new enterprises to become involved in importing and for consumers to have access to a greater range of goods.

Under the scheme, licences will be issued for one year.

"They will not be convertible into basic licences, nor will they be considered os licensing history to support future requests for basic or non-basic special licences," said Quigley.

Early analysis of the first bids indicated that the bids were between 10 and 20 per cent above the licence unit value on average although a Trade and Industry official said some were "a lot higher".

Quigley maintained that the tender scheme would not result in a flood of imports to the detriment of local industries because the total allocation is "modest and spread".

Comment

Editorial

AMERICAN Treasury Secretary Andrew Mellon, in a 1924 statement, set out what he called the "fundamental principles" of taxation. "A sound tax policy must take into consideration three factors," he argued. "It must produce sufficient revenue for the Government; it must lessen, so far as possible, the burden of taxation on those least able to bear it; and it must also remove those influences which might retard the continued steady development of business and industry on which, in the last analysis, so much of our prosperity depends."

In last year's Budget, Finance Minister Rob Muldoon indicated he recognised the worth of that formula. The Government had long been concerned to ensure that personal income taxation should not become unduly burdensome or discourage productive effort, he said. He maintained the Government's performance in cutting personal income taxation had "largely offset, for most taxpayers, the impact of inflation on the progressive tax rate scale." In the longer run, success in easing the burden of personal income tax would be achieved only by restraining Government spending and developing alternative sources of revenue; this required "a steady effort over a period of years." In particular, extending the indirect tax base must be done gradually "if undesirable effects on the level and rate of increase in prices are to be avoided", he insisted.

Tax reformers urge more rapid change. They contend that a reduction in income tax would provide an incentive to work and put more money in the workers' pockets, and that increased sales taxes would provide a disincentive to spend and an incentive to invest in productive enterprise.

Muldoon has responded to the pressures for change by dipping into OECD data to find figures to support his intransigence. And last week he told an Otago audience that our rate of taxation as a percentage of goods and services in 1978 was 31.4 per cent, just below that of Switzerland, just above that of the United States, and well above Sweden's hefty 53 per cent. "In total, New Zealand is not over-taxed by comparison with countries of our type round the world," Muldoon declared.

Later in the week, Labour's Richard Prebble acknowledged that our overall tax take was not high by European standards, and its maximum income tax rate was relatively low — but complained that the income tax paid and the marginal rate of tax on average earnings was the "highest in the whole world". They are certainly the highest among OECD members.

In 1968, the Government's total income tax was $681 million. This year it will be $5400 million — an eight-fold increase in a decade, and $934 million higher (up 21 per cent) than last year. Indirect taxation, on the other hand, is being increased this year by just under 13 per cent to $1750 million.

In 1869, income tax comprised 59 per cent of total taxation. Last year, it comprised 68 per cent of the total, and in the 1980-81 year it will be 70 per cent.

Company tax, in contrast, has fallen from 20 per cent of total revenue in 1970 to 10 per cent in 1980 — a result not only of such Government measures as export incentives, but also of loss of profits as businesses struggle with the effects of a recession.

But don't forget the November mini-budget, Muldoon will remind us. It gave the average wage and salary earner a tax cut of 5.5 per cent, which he promoted as a wage increase of 3 per cent. In fact, it provided no more than $2.37 a week for those on a taxable income up to $11,000 a year and $7.27 a week at the top end of scale.

Fundamentally, the Government has failed to come to grips with the phenomenon known as fiscal drag, which results from the combination of progressively steep steps in the tax scale and rapidly increasing incomes. Over the past five years, high inflation has resulted in high wage increases, and only a small increase in incomes promotes people to significantly higher tax brackets. Middle-income earners suffer most. The marginal tax rate increases three times — from 48 per cent to 55 per cent to 60 per cent — between $12,000 and $22,000. Low income earners are given family assistance; high income earners have access to tax loopholes ("so many tax loopholes that income tax for the wealthy is essentially voluntary and they need to be almost missionaries to pay it", Prebble claimed.

Case studies here remain confidential to the Inland Revenue Department, but the Vestey family in England — pillar of the Establishment and owners of a vast industrial and commercial empire — paid only 10 in income taxes during a 60-year period. As a senior member of the family explained: "We paid exactly what we were obliged to pay" — thanks to a loophole. Middle-income earners have no power to wield and the Government obliges them to carry an unfair burden.

Andrew Mellon had another piece of advice in his principles on taxation: "I have never viewed taxation as a means of rewarding one class of taxpayers or punishing another. If such a point of view ever controls our public policy, the traditions of freedom, justice and equality of opportunity . . . will have disappeared and in their place we shall have class legislation with all its attendant evils." We suggest that Muldoon takes heed. This is, after all, a country which prides itself on its freedom, justice and egalitarianism.

— Bob Edlin

Without word of a lie

Market forces?

FLETCHER Development and Construction Ltd has sold all but one of the six exclusive Beau Port appartments in Oriental Bay built for a cost of about $1 million.

A spokesman said last week that one had been taken off the market temporarily, but overall the development had been marketed successfully.

A "one-off" for the construction company (Fletcher Residential usually handles housing), the apartments, priced around $132,000 to $165,000 were geared to the top end of the market.

But real estate sources say the venture is running in deficit.

Fletchers had "no comment" to make on that suggestion, but the spokesman said building costs had moved up 18 per cent a year since the project was first mooted.

The market prices had also moved up substantially from those established initially.

The lucky buyers, on top of the exclusive prices, had to carpet and decorate their appartments. Some bashed out walls to increase room size and provide extra lighting. Others had a few surprises in store for them when they took up residence, *NBR* understands.

One turned on the water to find the plumbing wasn't connected. He moved to a city hotel while the sodden carpets were replaced.

Another, we hear, after paying one of the top prices, asked for a key to the letterbox, and was told: "that will be extra".

Pearl of a job

NEW Zealand Couriers has a booming business on its hands — delivering oysters.

Like all transport companies, NZ Couriers has a lot of freight going south and not so much coming north; so it formed The Oyster Co, promising delivery of fresh tinned oysters in Auckland within 48 hours of the telephone order.

The southern leg of the operation was Skeggs Foods Ltd, of Dunedin, for whom New Zealand Couriers is the Auckland agent.

When the season started, orders were running around 44 dozen a day. The Oyster Company publicity went into every post office mail box in Auckland on March 9, after only a week of operations, and on March 10 orders rose to 3500 dozen a day. That has been about the level of orders since.

Says The Oyster Company manager Ian Josh: "I don't know whether it's the power of the publicity or the power of the oyster but we're still trying to catch up with our promise to deliver."

At the moment, customers certainly get Bluff oysters before they are 48 hours out of the water, but the company cannot yet quite match the promise of within 48 hours of the telephone order. Delivery price is $1.85 or $1.80, depending on the size of the tin, and if the demand lasts until the season ends in August, Auckland will be better oystered than ever before.

Brockie's view

Devalued optimism

EVEN the most optimistic analysts doubt whether the Government's generous supplementary minimum prices for primary produce next season will be reflected in export receipts. And that means either a devaluation or the taxpayer foots the bill.

Finance Minister Rob Muldoon, as he is bound to do, has publicly refuted all suggestions of a devaluation.

But out in the country, where farmers are justifiably concerned at where their handout is coming from, there is a different tale being told.

Pahiatua MP John Falloon dutifully turned up for a local branch annual general meeting the other day and was questioned on that very point. Yes, he agreed, the support prices were optimistic, and he benignly expressed confidence that export returns were about to leap to cover the gap.

And if they don't, well there might have to be a devaluation, he said.

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Comment

The case for the truth, the whole truth and . . .

by Faye Torrance

WITHOUT good communication one to one, company to company, or country to country, life itself would come to a standstill. Communication is vital economically, commercially and industrially as well as individually.

In a changing world, technoligical advances are providing more "instant" alternative methods of communication.

But fundamentally, the right use of the right words in their most simple, understandable, and interesting form, directed frequently enough to the market you wish to reach, remains the essence of good communication.

Financial institutions in particular should make their "communication" section one of the most important in their overall operations.

One of the most successful ways to ensure stability, confidence and stable investment conditions, is to simply follow the golden rule of all good communications; from the beginning, tell the truth, the whole truth and nothing but the truth, as widely as possible, as often as necessary.

From this standpoint an institution — particularly if it is seeking consumer or commercial support — starts with and can continue to hold an almost inalienable advantage. It has nothing to defend. Investors know that, good or bad, they are going to be in full possession of all of the facts, all of the time. They can trust the institution to involve them in decision-making by virtue of the openness and honesty of "historical" management attitudes.

Some financiers may look cynically at this stance and comment that, today it is idealistic and unrealistic.

The fact is, however, that no matter how severely a market is depressed — nor how competitive — good administrative honesty, the courage to face realities and a far-sighted appreciation of the value of forthrightness in communication is the rock on which most lasting and successful, financial institutions have survived.

Historically, most companies which fail are those which share the least amount of information with shareholders or investors, thereby creating an unstable, insecure market place.

In 1977 rumours were rife about the potential failure of a large financial institution. After several months of market gossip, intentional or otherwise, the company called in the services of a public relations company.

The advice was to publish instantly, everything, everywhere in the most informative form possible.

Within weeks, the gossip disappeared and the company has become one of the country's biggest most respected, institutions.

It is not only a question of integrity. It is a question of understanding the amount of change that has taken place with today's investors.

They have cause to be nervous and they are no longer prepared to put their hard-earned income into institutions where they neither fully understand, nor are regularly fully informed, about future prospects.

People today know that if a quick buck is offered even in the most glossy advertising, it requires serious close examination. The glossy, indeed, is often suspect.

Solid, understandable, frequent and obviously truthful financial information has vastly more impact on the investor who generally is cautious and somewhat conservative.

The collapse of two major investment institutions, prolonged receiverships and an insecure economic future have all heightened caution.

The competitive nature of the market necessitates the release of first-class information by financial institutions if they are to maintain sound investment growth, particularly when the Government is entering heavily into the previously private enterprise arena of loans, and playing a strong role in influencing interest rates.

There's another reason why communication must be effective in the finance field: massive capital requirements for future development of our energy resources in the next decade will mean hot competition for funds and perhaps reduce the number of investors and money available for private institutions.

Shareholding requirements for individual investment in energy resource development in conjunction with Petrocorp and Alberta Gas, for example, will mean a continuing heavy demand on the local investment market.

International Government borrowing and debt servicing all require finance. Any suggestions of the Government withdrawing from the private-sector loan-raising arena, therefore, perhaps will be physically impossible.

To try to capture new business as well as retail their share of a diminishing investment market, better fundamental, more efficient, more effective, communications will be one of the few tools available to the private institutions.

But even today, in a highly skilled, technologically aware age, there is a segment of management in this country which remains unable to grasp the value of using communications professionals or the necessity for specialised services in this area.

Companies still use one of their office staff to produce house magazines, often written for and aimed at a myriad of readers inside and outside their company.

Indeed, many management personnel do not understand the vast difference between advertising, public relations or other media outlets.

Few of our educational institutes treat the art of communication as a separate, highly specialised entity. Business courses generally provide no special sections for teaching:

- Different types of print or electronic communications information;
- Media choices *vis-a-vis* costs and markets;
- The distinct difference between the function of paid advertising and/or editorially acceptable information.

It is no wonder that in a marketing or selling sense, the New Zealander often has a hard time competing effectively in overseas markets.

Fortunately, when it is borrowing, the Government deals with bankers. If our loan-raising were to meet the difficulties of our marketing (in the EEC for example), compounded by our unprofessional communications approach, the country would go broke.

Even the small investor deserves to be treated as a potential customer by the largest of our institutions. But how many of those seeking loans in the open market appreciate that — in the complexity of the modern financial world — the small investors have less and less of an understanding of where to put their money to meet their requirements.

Surely this, too, is a case of inadequate or poor information. It reflects a lack of awareness of the ever-widening gap — caused mainly by the sheer sophistication of financial information — between the average investor and our increasingly more educated, technical, financier.

Communication is the basis of our lives. If we fail to communicate well, we will fail to compete, anywhere, profitably.

Faye Torrance is an Auckland public relations consultant.

Without word of a lie

Priority-checking

TREASURY is tightening procedures to make sure the $200 million or so used to play the international bond market don't wind up on someone's numbered Swiss bank account.

Transactions in the United States and Eurobond market are mainly done by phone or telex. And it seems that Treasury money market dealer Roger Smith tumbled to the possibility that he, or his successor, might with a phone call transfer a few million or so of public funds into a numbered Swiss bank account.

So he recommended some safeguards to prevent himself, or his successor, from building up a fat retirement fund at the public's expense.

It seems the new system will involve a phone and telex code known by some person other than the money market operator so the operator can't swing a deal without someone else looking over his shoulder.

The new safeguards still must be approved by Finance Minister Rob Muldoon.

Change of direct

COULD someone in the airline business give us a definition of the word "direct?"

We had always been under the impression that a "direct flight" was a trip made from one point to another without stopping on the way, as in Wellington to Christchurch, or Auckland to Sydney.

But British Airways keeps saying on radio and telly that theirs is the only 747 flying direct to Britain. And Air New Zealand is pushing their "direct" Auckland-Tokyo flight.

The latter flight drops into Nadi on the way, and it's patently impossible for BA to get all the way from Auckland to Britain in one go. It in fact stops at Melbourne, Perth and Bombay.

One can only presume that in the airline context "direct" means "without changing planes."

One of the definitions for "direct" given in the *Shorter Oxford English Dictionary* is "without the intervention of the working-beam between the piston-rod and the crank". Let's hope the airlines at least have their working-beams in place, if not their syntax.

Plane speaking?

NOTHING should surprise us in the computer age, perhaps, but now they are turning out multi-lingual machines with more than a sneaking regard for their own spelling prowess.

IBM took out some full-page ads to proclaim: "Amazing as it seems, the new IBM Displaywriter System has the ability to automatically check the spelling of approximately 50,000 commonly used English business words. It also has the capability to check German or French or Dutch or Italian or Spanish, but one at a time — of course. When mistakes are found, they are highlighted on-screen, drastically reducing the time spent proof-reading. It also saves embarrasing typing errors leaving the office."

Furthermore, "you can chose from three different printers".

We can only wonder if IBM has persuaded its ad agency to invest in one of these linguistic marvels, in the hope that "embarrassing" and "chouse" are among the 50,000 commonly used English business words that the machine can handle.

On the other hand, maybe the machine was used to write its own promotional copy — in which case, IBM has a problem which demands the return of the boffins to the drawing board.

At Crossan purposes

THE ROW over Prime Minister Rob Muldoon's "quiet chat" with TVNZ bosses aimed at "improving" TV's *Close-up* is over for the moment. Broadcasting journalists who a week or so ago were calling for the blood of their superiors are now treating the affair as a private in-house matter and the PSA is planning a tut-tut letter to Ian Cross, for not telling a union delegation to him that the meeting with Muldoon it had been arguing against had actually taken place a day earlier.

So much for the confrontation. Presumably back to good, honest investigative journalism, the basic business of TV news and current affairs.

But it seems that some of the basics of journalistic method were momentarily overlooked by TVNZ news, current affairs and sport controller Bruce Crossan in the midst of the staff unrest — at least, in his dealings with other media, who presumably stick to such groundrules as "never disclose your sources".

Crossan rang *NBR's* Auckland office to demand who had been leaking information about the staff unrest. He accused one particular reporter of being *NBR's* "deep throat".

We presume Crossan is one of the old reporting school who won't take no for an answer. When *NBR* told him his accusation wasn't true, he replied: "You've just told me who it was".

Later another journalist was pulled into his immediate superior's office and given a heavy "please explain" grilling. Once again the TVNZ inquisition had missed its man — or rather, men and women in the plural.

All very strange in the light of an *Eyewitness* programme last year that revealled in disclosing a leaked government confidential document and ended with the plea to "Keep those confidential documents rolling in".

Letters

Keeping ahead of inflation

I READ with interest your article entitled "Living Costs, we don't know how unlucky we are", (*NBR* March 23).

I am dismayed at New Zealand's lack of economic growth portrayed by the comparisons to earnings in Australia and the United States. The anti-progress groups at present endeavouring to put a stop to any project that has a prospect of bolatering our economy should read this article with care, and then decide if they themselves are willing to make the sacrifices they wish to impose on all New Zealanders.

I note, however, a discrepancy in the figures quoted in the article. At a $25,000 gross income level, an increase of 24.33 per cent or $6082 gross is necessary to provide the same net income level after inflation. This is calculated using an inflation rate of 16.1 per cent (the 1980 annual rate). Thus the figure in your article of 30 per cent is in error.

The rates of gross increase necessary to keep net wages/salary level with inflation at various gross income levels are:

These figures are based on the 1981 tax scales and do not adjust for the rebates allowed to various categories of taxpayer. They are based on the 1980 consumer price index increase of 16.1 per cent.

It is quite apparent the present Government is practising taxation by default. By inaction or near inaction on the Government's part on this matter tax rates are gradually increased with the rate of inflation.

Whereas it would be politically unwise to legislate to increase direct taxes, this is in effect being achieved "through the back door" as it were.

The direct tax structure for individuals should be tied to the consumer price index; that is the tax scales should rise by the inflation factor annually. This would provide temporary relief until full tax reform can be effected.

J D Howella
Birkenhead

P.S: At 18 per cent inflation the gross increase necessary to stay even on gross income of $25,000 is 27.21 per cent.

plate dinners as showing the party's "affinity with the common person" (*NBR*, March 16).

Grosa Incoma $	Gross Income Raquirad to Malch 16.1 pat cent Incraase in Nat	Per Cent Incraasa In Grosa Incoma to Maintain 16.1 par cant
8000	9572	19.65
12000	14619	21.82
15000	18382	22.55
18000	22525	25.14
22000	27600	25.45
25000	31085	24.33

Mapping the facts

I AM surprised at your presentation of acts accompanying the map on development projects I sent to you and would point out:

(1) That it is illogical to say that the list of projects includes "some" schemes by Government and then to say there was "not a net gain". I indicated that probably less than one-third were Government-planned and many of these had been slowed down by National.

(2) Both the third and possibly the fourth "pot line" at Tiwai Point should have been negotiated on a joint venture basis. The Government has not done this.

(3) Forestry in the King Country was approved by Labour in September 1975 and was in fact stopped by National in December 1975 in a most ruthless manner in spite of a complete and very favourable environmental impact report and audit.

(4) Of 20 electric power schemes shown there are only two small local body schemes shown out of at least 50 possible schemes.

(5) On fishing, the point I made was that the Government scheme with no on-shore processing does not give the jobs it should.

Finally, I would point out the fact that your correspondent travelled 300 miles to Rotorua on his own initiative and asked in front of the local newspaper correspondent that the map be embargoed until the next weekend (which it already was because of the Cromwell meeting). This could hardly be described as an approach by me.

J W Ridley
MP for Taupo & Labour Co-ordinator of Works and Energy

WE plead guilty to some imprecise wording. We should have said *that* not all the 200,000 jobs were a net gain – but the context surely makes that point anyway.

We also could have specified that the "host" of smaller hydro-electric projects referred to small projects generally and did not imply (by the addition of the words, "central and local government") a host of local government projects. Space considerations forced us, regretfully, to drop references in the original article to the King Country forestry and on-shore fish processing.

***Our correspondent,* Colin James, went to Rotorua to cover a Labour Party conference, not to extract Ridley's scheme from him, which he knew nothing about beforehand. He showed (qualified) interest only when approached at that conference by Ridley.**

A condition of publishing the list and the map – decided on (three days after the conference) because *NBR* had taken a keen interest in suggestions for industrial development and because Ridley's was a commendable first Labour attempt to spell out an alternative to National's "think big" – was that the map was exclusive to *NBR* (with the agreed exception of the *South Waikato News*, Ridley's home paper).

– Editor.

National's grubs up

COLIN James facetiously refers to the National Party's "Night of the Jones'" $100 a plate dinners as showing the party's "affinity with the common person" (*NBR*, March 16).

Firstly, let me say that attendance is not compulsory which a Martian reading James's comments could be forgiven for believing.

Secondly, a great number of "common people" donate $100 to the party in election years. The concept behind these dinners is consistent with National's philosophy of disapproval of the something for nothing attitude so prevalent in this country.

The dinners are merely a way of repaying the more generous "ordinary folk" donors.

Bob Jones
Lower Hutt

***WE tried to* catch *Colin* James for comment, but he had gone off to the piecart to get his dinner and it was getting close to press time. But he was overheard to mutter as he left, appropos of what we are not sure: "Anyway, Susan Baker's superb cheese scones are not for the common people." – Editor**

Confusion on growth rate

IN his article with the curious heading, "NZ growth goes down in the world", (*NBR*, March 23) your economics writer states four times that the standard of living in this country has fallen but gives no evidence in support. What he does is quote figures of relative outputs and growth rates for the 24 OECD countries.

All these show is that relative to most of those countries our growth rate has been slow; between 1973 and 1979, 1.1 per cent, but if economic growth measures standard of living that figure is still an increase; so how can the standard of living have dropped?

I think that there was some confusion, too, about John Walker's reference to taxation in New Zealand. It is true that total tax take here is no greater than in many other developed countries. The significant thing is that in New Zealand the maximum rate strikes at such a low level of income, which is not only very discouraging but quite silly because, although it is difficult to obtain up-to-date figures, I have little doubt that taxes on higher income yield a very small proportion of total tax revenue.

In the same issue of *NBR* there is an article on living costs rather along the same lines which demonstrates that it would take more than one year's net pay for a Kiwi to buy the goods listed in the price comparison article which appeared on December 11 (the one where the writer attempted the hitherto impossible feat of averaging percentages) but unfortunately no data were given on quantities purchased, or assumed to be purchased, over 12 months and seems to arrive at the odd conclusion that, for example, people buy such things as Canon cameras, electric drills, stereos and typewriters every year!

There is no need for all this rigmarole with dubious statistics, no weightings and unsupported assumptions to show that we are much worse off than our counterparts in the United States and Australia. Simple per capita GDP figures [illegible] that.

Would not *NBR* [illegible] be making a more useful [illegible] tribution if they were to [illegible] pinpoint some of the fa[illegible] responsible for slow gr[illegible]. For example, to what e[illegible] was industrialisation a fa[illegible] the more rapid growth d[illegible] countries of compara[illegible] and background such as [illegible] and Denmark, or was it [illegible] gloriously high prices fo[illegible] products under the CAP? [illegible] is growth in the [illegible] Sweden now so low (1.2)? [illegible] far did Norway's rich oil [illegible] help? If so wouldn't it be [illegible] for us to develop our e[illegible] resources?

Reading *NBR* one ge[illegible] impression that all [illegible] Zealand really needs is [illegible] place Muldoon and all [illegible] well. This may, or may [illegible] part of the package, but [illegible] that most other e[illegible] would consider that a [illegible] of constructive thi[illegible] needed as well.

JW[illegible]
Well[illegible]

Politics

Roamin' in the gloamin' – an eerie calm falls

by Colin James

A SUBTLE change has come over the mood of the electorate. The air seems to have gone still.

Does this mean the electorate has now settled into a new pattern pointing towards a National Government in 1982? Or has it lost interest in politics (temporarily)? Has it just gone sullen?

Don't look to the polls for too much help (see page 36 for conflicting findings in the latest). About the most that can safely be said about the polls is that people seem to be confirming what they were saying about politicians and their parties in the last three months of last year.

But what were they saying? Was it, as Social Credit hopes, that Labour is finished and Social Credit is now something to vote *for*, as distinct from a way of voting *against* something else?

Was it simply a statement that they were casting off old loyalties and were now up for grabs by anyone with the right presence and a good idea — and that could be the old parties as much as Social Credit?

Was it something more basic: a warning to the National Party to cut the knock-down tactics and start being more positive?

The last six months have been cathartic.

• There was a serious falling-out in the National Party over the leadership – where to, by whom, in what manner. That has been buried for the time being.

• There has been a blow-out in the Labour Party. That has cleared the air a bit.

• There has been a wingding with the unions which the Government could not and did not lose, which lost the union movement a lot of psychological ground and which gave ordinary New Zealanders a focus for their multifaceted resentments and frustrations (the March).

Catharses usually release tension and allow a period of relative stability and calm. This is what we now seem to be in.

But not an absence of interest. People are flocking to rallies for all parties. Politics may be calm but that does not mean rigor mortis has set in.

The interest at public meeting level also suggests that the electorate is not sullen, either. If anything, it is probably more ready to accept a positive lead than for the past few years.

In other words, the electorate has "bottomed out" psychologically.

I base this on two factors.

One is a change of heart among certain opinion leaders. I reported last week the positive attitude of farmers and a detectable (though not yet overwhelming) willingness of manufacturers to confront positively the need for change in their habits. There is similar news from other sectors.

I think there are also beginning to emerge potential leaders in the union movement with a forward-looking, though nonetheless tough, attitude to change. The ignominious failure of the backwards-lookers at Auckland Airport in February will make their upward path a little less obstacle-strewn.

But one should not make too much of this: there are few of them and they have a long way to go to exert real influence at national level.

The second factor is the aftermath of the March.

A stagflating economy is frustrating to ordinary people used to rising expectations. It breeds narrow-mindedness, meanness, suspicion, resentment and fear.

For some time the only publicly visible lead from the Government was, "trust us to get the sums right". Then foreign-owned aluminium smelters lurched into view. Neither offered much direct relief to the individual facing a short, and bleak, horizon in which the figures seemed anything but right.

So in the meantime they have been peering down the sideroad cut by the Social Crediters.

Then came the picket trouble. Unions are a convenient focal point for frustration (even though the frustration results from a combination of many factors), because they are highly visible and are forever seen as causing mischief to the public good.

In the March New Zealanders – on foot and vicariously through television – vented their frustration and, in doing so, lifted it. There was a general feeling that it was a good thing, similar to (but qualitatively different from) the feeling last September about the East Coast Bays by-election result.

I think, and several political practitioners' experiences support my feeling, that the country is less sour and consequently more receptive to a positive lead.

Coincidentally some of that changed economic attitude of opinion leaders is filtering down. The Heylen Poll has been reporting a much less pessimistic feeling about the economy 12 months hence.

Since the Government has resolved its differences by the simple device of giving in to the leader, it has been well placed to capitalise on it.

That same leader has been projecting a much more jolly and benign visage. At public gatherings the abrupt, withdrawing, short-of-time roughneck has become an indulgent, outgoing and expansive model of reason.

People whose judgments of him are normally sceptical or reserved have talked to me glowingly of a thoughtful "leadership" in his speeches at a range of gatherings.

(I have to report this second-hand. A communications breakdown between me and his office meant I did not get to his recent 1000-strong Hastings meeting).

I am told he has been getting a warm response. This is quite logical: a high-profile charm-em-out-of-the-trees leader who sounds as though he knows what he is about is a bulls-eye. In this mood an increased majority is not far-fetched.

There has been a corresponding change in National Party morale.

Up to two months ago canvassers were getting short treatment, people were unwilling to renew subscriptions, selections were being postponed because membership targets were not met (or membership targets were relaxed to permit selections), money was not rolling in.

Now party members tell me their job is much easier and more pleasant. The cranking and pedalling for the return of the Muldoon ministry has picked up tempo.

See what a change of tone – and a win over the unions – can do. For the ideological gap is still there. The Muldoon Party has not suddenly subscribed to the National Party's demands for a freer, more competitive economy with more emphasis on the individual and "getting the state off our backs".

Not because the demands have evaporated. Farmers, for instance, are still impatient for transport delicensing and farming leaders suspect economic distortions may follow the new supplementary minimum prices, locking them into the equivalent of bargaining with the Government for wages.

But on present evidence, for the rest of this year at least, the "more market" demands will be muted.

A glimpse of this can be seen in a fascinating interview (pages 20-21) with Horowhenua MP Geoff Thompson, one of the "more market" class of '78. In that interview he talks of progress so far down the "more market" track, the continued need to keep the goal in view, but to move with care and with safety nets in place, so as not to lose the "middle ground" to the other parties.

Thompson summed up what he called his changing perception thus: "I . . . have accepted the desires of the electorate a little more closely and realised that with his [the Prime Minister's] experience and direction, that's basically what they want."

Thus we can expect ideological pressure from within the party to wane in the interest of election unity. I would be surprised if this coming week's half-yearly Dominion council meeting is not much less abrasive than the past four.

Conversely, pressure against that ideology has already waned. As I mentioned last week, manufacturers are a lot less obstructive.

This has given the party leadership scope to accede partially to party demands without endangering to the usual extent its appeal to the non-ideological middle ground. Pragmatism, in other words, has been able to accommodate a little vision – and vision is learning a little pragmatism. Result: less uneasiness.

To add all this up: The Muldoon Party firmly in charge of the Government and thus shown in a strong, "winning" light; the National Party much happier about the Government because it beat the unions; the Prime Minister and the National Party each happier because the other is happier; the electorate responding to the country's No 1 populist obviously in command of the Government and in warmer mood.

The psychology is highly positive. In the parlance of last week's column, we're getting – for the time being – wheat, not weeds.

For how long? Someone whose long-experienced judgment of these things I respect says the next round of weed-sowing will come roughly three weeks after last week's bumper poll.

There is a pattern, he said. We'll see.

* * *

Jenny Gibbs is Gibbs, not Gibb as I wrote here two weeks back. Esses are a journalist's constant nightmare.

Supply-side economics: curb inflation for growth

Economics writer

A NEW word has been added to the vocabulary of with-it economists. "Supply-side" economics describes the new economics which focusses on improving capital formation and productivity through changes in supply rather than demand management.

In a speech to the Building Owners and Managers Association last month, Frank Renouf took up the catchery for supply-side economics, arguing that this approach is right for New Zealand.

Speaking from what he termed "right of centre", Renouf called himself a private enterpriser from the private sector. Renouf claimed that all of our current economic problems stem from high inflation. With such inflation, "you ruin, you decimate, you destroy".

Renouf's story about the ills of the New Zealand economy runs something like this. The Government's budget deficit before borrowing is running at around $1.4 billion. Since productivity growth is very slow, the stimulus from this deficit does not create output or jobs, it fuels inflation and imports. The cost of labour rises. Our balance of payments deteriorate.

Businesses find they have to deal increasingly with inflation and inflation-related labour problems. The continuing trend of a devaluing currency does not help matters.

Renouf believes that private enterprise releases productive energy. But at the moment there is too much government and this inhibits private enterprise activity. There is no way to improve the economy without a plan for saving and investment.

The Government has not been much use in this area. Export incentives do not do the job of stimulating investment as they were intended to. Firms do not commit themselves to long-term exporting because they know the incentives will come off sometime.

And anyway, export tax incentives are not very useful in helping firms to build plants.

Renouf thinks we can look overseas for guidance about supply-side economics. President Ronald Reagan is setting the way. Britain's Margaret Thatcher is trying. And at the 1980 World Bank meeting, inflation was identified as the No 1 priority because of the analysis of the "new economists".

Unemployment cannot be solved without solving inflation, according to the precepts of supply-side economics. Rises in Government spending fuel inflation, not employment. Demand management has not succeeded in stabilising economic activity and must now be tempered with management by supply.

And Renouf noted that balancing the economy by supply means abandoning the welfare state. He asserts that it has failed to test-out over the past 40 years.

But his message to politicians is not new. Their power depends on private enterprise: giving incentives back to the people, inciting to save rather than spend.

American management economist Peter Drucker puts supply-side economics into the context of economic history in an article written for *The Public Interest* last year. He says that in its 400-year history, economics has passed through four major changes in its world view and is now in the throes of its fifth scientific revolution. He shows that emphasis on the supply side is not new.

Economics began with the cameralists and mercantilists of France in the first half of the 17th century. These thinkers were the first to see the economy as autonomous. Before this, there was no economics, in Drucker's view, just a financial concern with trade and livelihoods, with wealth, coinage and taxes.

Mercantilism was macro-economic (concerned with broad economic aggregages) and its universe was a political unit, the territory controlled by the prince. Mercantilism was supply-focussed economics. Its central concern was to produce the largest possible export surplus and with it the hard currency needed to pay professional soldiers.

Despite its preoccupation with supply, Drucker says that mercantilism failed to produce the goods. The economic view collapsed as a system during a productivity crisis.

The more the French government promoted manufacture for export and for the generation of money, the poorer the country became, especially in contrast with the non-mercantilist, unsystematic and unscientific English across the channel.

Under mercantilism, the French savings rate dropped sharply while that for England rose.

The physiocrats started their "scientific revolution" with the paradox that under mercantilism, Europe's richest country, France, had become one of its poorest ones. France's economy was becoming more wretched the more money it earned.

The physiocrats solved the paradox by applying Gallic logic to Anglo-Saxon pragmatism.

While their system remained supply-focussed like that of the mercantilists, the physiocrats turned from macro-economics (the study of broad economic aggregates) to micro-economics (the study of individual markets). In this case, land and its cultivator were the economic unit.

Emphasis on micro-economics forced the physiocrats to develop the first economic theory of value — that is, the first theory which did not square wealth with money.

The source of value for the physiocrats was land, the producer of human sustenance. With this theory of value, economics had become a discipline and contained a body of theory useful for analysing trade.

Classical economics is the third of the economic systems, says Drucker.

It took from the physiocrats both the concern with supply and the focus on micro-economics. But it shifted the theory of value from "nature to man".

Drucker claims that with the labour theory of value, economics became a "moral science". "It is to this, as much as to its success in producing wealth, that classical economics owed its victory and its rapid rise as the star among the new disciplines."

But John Stuart Mill argued that such "moral" judgments could not be borne out by

Frank Renouf ... taking up catchery.

economic practice and after much the theoretical turbulence, a third "scientific revolution" occurred in the second half of the 19th century.

There was a shift from classical to neoclassical economics, from the disciples of David Ricardo to Leon Walras and other pioneers of marginal utility. In shifting from value to utility, the neo-classical school shifted from the value-ridden discussion of human needs to the discussion of human wants.

The shift from the classical school to the neo-classical school developed the analytical capability of economists and introduced a new spirit which has led to animated economic debates to this day.

This third "scientific revolution" widened the gap between some economic thinkers. Karl Marx and his followers retained the labour theory of value of the classical economists. This made their approach much better at analysing historical forces, but the neo-classical school had more success at analysing economic forces.

Lord John Maynard Keynes was the leader of the fourth "scientific revolution". His economics went back to the macro-economic approach taken by the mercantilists. But his approach was radically different from any earlier view because it was centred on the demand side of the economy, rather than on the supply side.

In Keynesian economics, supply is stimulated by the Government making changes intended to increase the demand for consumer products. And Keynes was the first to postulate that money and credit give complete economic control.

Those economists who today advocate a return to "supply-side" economics blame the world's stagnant growth during the 1970s on the failure of Keynesian economics.

Drucker claims that Keynesian economics has run into the most severe productivity crisis since that of 18th-century France which discredited mercantilism.

The next "scientific revolution", according to Drucker, will overturn the paradigms that have underlain economics theory and policy for the last 30 years. The basis of the revolution may start with productivity or capital formation.

Certainly Frank Renouf would like such a revolution to take place in New Zealand thinking. But none of the earlier "supply-side" economic paradigms were able to cope with rising unemployment (the classical economists assumed that employment was constant).

If there is any basis for Renouf's and Drucker's belief that we are entering a fifth "scientific revolution", let us hope that the new economics which emerges can deal with inflation *and* unemployment.

Mining and minerals

Paydirt: Min Resources strikes it rich

by Warren Berryman

COMBINING enthusiasm with Kiwi ingenuity that some would call Heath Robinsonism, Mineral Resources kept itself going through many lean and hungry years, scavenging for ore grade material around the Waihi workings and extracting the bullion in a mill and cyanide plant made up from bits and pieces from the closed Tui Mine and the ill-fated Norpac Mining Venture.

To a major overseas exploration company, exploration costs are sunk risk capital if no mine is found and an investment if a mine eventuates. All these companies get from sampling is an assay sheet.

Mineral Resources has made exploration pay most, if not all, of its own way; it sells its samplings as bullion while taking exploration to a stage where a joint-venture partner will be interested.

Under a prospecting licence, Mineral Resources and its joint venturer, Green and McCahill, obtained special permission from the Mines Department to bulk sample a section of Martha Hill with an open cut about the size of a large highway cutting.

After stripping off an area of hungry quartz, some 15,000 tonnes of ore was removed and run through the mill yielding 90,700 grams of gold and 188,290 grams of silver. This bullion was sold for about $750,000.

At present prices it would fetch about $2.3 million.

Bullion sales paid for the operation and the bulk sampling was proof of the pudding to show to Amax.

Mineral Resources' two new mines on Union Hill can be likened to the open cut on Martha Hill, except the gold/-silver values are higher.

The two mines, opened only a few weeks ago, are now producing ore. The larger of the two, the Amaranth, is a two-metre-by-two-metre adit leading to a caved-in area under an old unfinished stope.

Green and McCahill is doing the mining on contract. Good rails lead from a gantry at the portal to the cave-in.

The five miners have an air mucker, electrical locomotive and ore truck.

A rise is being driven some distance back from the cave into intersect with the bottom of the old partially worked out stope, which still contains some 3000 tonnes of ore.

The idea is to work the stope upwards, dropping the ore into the stope floor where it will be scraped back with air winches to fall down the rise into a waiting ore truck.

When the stope's roof rises beyond the reach of the stoping drills, the floor will be raised by dropping waste down a shaft to spread on the floor.

Ore grades in the stope are said to average about six grams of gold and 360 grams of silver per tonne, although some sections assayed as high as $12,500 a tonne rock.

The second mine, Amaranth drive No 2, is a much smaller show. Amax channell-sampled along the length of this drive some time ago finding some good patches where the cross-cut intersects reefs and fissures in the native andesite-dacite flows.

Mineral resources picked one vertical reef and followed it with a one-metre-by-two-metre high drift.

Tracing the reef along the drift's roof, it narrows to six inches in places and then widens to about 14 inches.

Ore in this reef may run as high as 64 grams of gold and 640 grams of silver in places.

Getting the ore out is hard work, undertaken with a pick and wheel-barrow. Last week there was a stockpile of about 10 tonnes of ore that had been chuted down a steep bank from the portal to a road below.

The company plans to stockpile 180 tonnes of ore before starting up the mill. This should take about a month.

Production in the Maranth adit should run about 50 tonnes a day, if everything runs smoothly. The mill should process about 80 tonnes a day.

"Originally we went into this project to get 3000 tonnes of ore. Now we are looking at a possible 10,000 tonnes," managing-director Jack Barharich said.

From the mine gantry, the ore goes a short distance by truck to the mill. First the rock goes into a primary crusher, then through a washer to remove the sticky kaolin clay, acorss a conveyor, through a hopper and into the classifier.

A cyanide solution is added to the crushed rock in the classifier, and the lot goes into the ball mill to be ground to the consistency of talcum powder. The rock dust and cyanide soup then goes through a thickener and agitators, where the cyanide dissolves the gold and silver.

Filters strain the rock from the enriched cyanide solution. The rock dust goes into the tailings pond and the cyanide soup into a bath filled with shredded zinc.

Reacting better to zinc than to gold and silver, the cyanide drops its high class content as a black sludge and goes for the zinc. The sludge is then acid treated and smelted to bullion.

The mill is now being reworked to handle the higher silver content of the Union Hill ore. It takes cyanide longer to dissolve silver than gold.

To obtain better silver recovery, the mill's 24-hour process is being changed to a one-week cycle.

Mineral Resources has been selling its tailings to Waihi residents as fill.

It is too soon to tell if Mineral Resources will make money from its two new mines. Barharich said he was working on a high figure of $200,000 profit and a low of a $20,000 loss.

Ore grades are being continuously assayed. Optimistically, good assays might lead to by-passing the cave-in on the Amaranth and sampling the adit beyond with an eye to putting in drifts and stopes where assays are good.

Pessimistically, the whole show might just break even or lose money.

In any case, the geological information gained [illegible] probably be of greater [illegible] than the ore.

Any additional ore [illegible] beyond the initial proc[illegible] will further defray the [illegible] up costs of the mill.

Mineral Resources [illegible] mineral exploration [illegible] in New Zealand. Accord[illegible] Barharich: "A small [illegible] like us needs the money [illegible] horse trader. We need [illegible]

"I can see Mineral Res[illegible] within the next three [illegible] spending $3 to $4 m[illegible] Christ! We've got to [illegible] spend it."

Mineral Resources' [illegible] mines at Union Hill are [illegible] But they are the first [illegible] opened in a long time.

Barharich's detractors [illegible] him as a donkey and [illegible] prospector out of his [illegible] Maybe.

But he is sitting down [illegible] negotiating table with [illegible] mining majors while others [illegible] not.

Hard work with a wheelb[illegible] . a quartz vein under [illegible] Hill

Finance

Frenzied buying— the smart money men move in

by Klaus Sorensen

THE sharemarket prides itself on its orderly behaviour — but a recent $75,000 buying spree in Odlins shares has raised questions about safeguards for the small investor.

Just over a week ago the shares in the Wellington timber and hardware group came in for some frenzied buying from the smart money men one Friday afternoon.

The shares climbed nearly 20 per cent, or 18 cents from 94 to 112, before settling back to 107 at the end of that afternoon's trading session.

Most brokers were quick to attribute the buying activity to private clients taking a punt on a rumour-prone stock.

That explanation seems plausible enough, until you consider a total of 71,200 Odlins shares changed hands that Friday afternoon.

The buying spree adds up to a total investment of $75,000, including brokerage — a pretty hefty "punt" by the so called "small guys".

The buying was based on the rumour of a takeover bid for the company.

This suggestion spread like wildfire before the opening of the afternoon call, and continued on the following Monday and Tuesday despite the Odlins director's statement that they knew of no reason for the sudden jump in the company's shareprice.

One broker told *NBR* last week that they were staggered at the way the talk had got around. He said clients were even ringing up early last week, desperate to buy Odlin shares "because the announcement is going to be made at 4.30 pm this afternoon", as one buyer put it.

The buyers were acting on information concerning a possible takeover which probably came from one initial source, but spread quickly by word of mouth.

So, while the brokers' theory about small clients taking a punt is probably pretty fair, a more pertinent question might be; Who were the sellers?

Normally a couple of thousand Odlin shares would trade in an afternoon on the exchanges, but, all of a sudden, the buying brokers found more than 70,000 Odlins shares were for sale, though at a price.

While the buyers would have been congratulating themselves over the weekend at getting in on the ground floor, the sellers had a right to feel even more pleased with themselves.

Seldom can a seller hope to get a handsome 19.4 per cent premium over the last sale price, when he puts his selling order in. But that's what happened with Odlins.

NBR has no idea who the sellers were, and it is quite possible it was a complete coincidence that a large parcel of shares became available at the same time as a rumour about a takeover.

NBR's point is that these are all questions which deserve to be asked — particularly by the Stock Exchange and by the company.

The Odlins share flurry was the second time within a week that the shareprice of a company had suddenly, and inexplicably, jumped.

At the start of the week the Winstone shareprice climbed 11.9 per cent in a day from 67c to 75c (*NBR* March 30).

These occurrences have created discussion in financial circles about the possibility of having stricter exchange rules governing shareprice movements.

Suggestions made to *NBR* have included one that the exchange should make a "please explain" request to a company whose shares climb more than 10 per cent for unexplained reasons, or alternatively just suspend the shares.

But most people spoken to, including the Stock Exchange Association, believe the idea is unworkable, not to mention drastic.

With Odlins, Wellington exchange chairman John Aburn questioned the company about the share rise the same afternoon.

But in the Winstone case, where a query would have been particularly relevant in view of that company's troubled fortunes, the share jump did not result in any explanations being sought, or given.

One institutional buyer told *NBR*: "I think there must be a strict policing of such price increases. Often you find the institutions receive prior warning of a situation when they are approached by a broker, so it's the man in the street who misses out."

He thought a rise of more than 10 per cent should prompt a query, though he thought suspension would be going too far.

Apart from the two most recent examples in Winstone and Odlins, the buyer points to the situation where there was a heavy turnover of Dominion Breweries shares for three or four weeks before the Brierley share raid was announced.

He maintains the brewery should have been made to explain the buying "for the sake of the private investor — it's not a question of safeguarding the big boys, it's a case of doing it for the sake of the small fellows."

One broker told *NBR* he believed there should be safeguards but the exchange's powers should be left as a discretionary thing.

He claims most of the sharp price movements are based on false information, anyway, and quotes Odlins as a prime example of a "punters" stock. Another is Andrews and Beaven, "which takes a regular run every six months."

He believes the current discussion may be confusing the exchange's ability to vet shareprice movements with the need to watch for trading based on inside information.

"If they can see a price movement which is obviously not based on the fundamentals they should act — but you can't set up rules. In the United States this week they shut all the exchanges at 1 pm because of the assassination attempt on Reagan, but they haven't any rules to say the exchanges must close when the President is shot."

According to Stock Exchange Association executive director Earle Stewart, "inquiries are made at the discretion and judgment of the chairman of the company's home exchange."

Stewart claims such price moves probably occur only three or four times a year, so it is better to leave the inquiry mechanism on a flexible basis.

"I don't believe a fixed set of rules are applicable to a genuine auction market — and that's exactly what we have — the Odlins situation demonstrated that with its great range of prices."

Stewart agrees small investors may be at a disadvantage in terms of information, but makes the point that in a situation where a company is failing, a suspension of shares would deprive shareholders of the ability to sell their shares.

"That's the biggest single problem in administering the market — the potential penalties which can result from such actions."

And what about the possibility of a rule enabling the exchange to query an "unexplained" price movement?

"Assessing an unexplained situation requires a discretionary decision and that brings us back to square one where you have to exercise a judgment.

"And that's what we have now," says Stewart.

Lion flexes muscles

by Klaus Sorensen

LION Breweries Ltd is on the diversification trail.

The country's biggest brewer set up an important new division — the Commercial Division — on April 1. It seems the new operator could become Lion's vehicle for some sharemarket action.

Details of the new division are expected to be announced this week, but *NBR* understands it will have as its two main aims new investments and diversification away from the brewer's traditional activities.

Lion has found the limited growth offered by brewing has tended to slow its earnings growth in recent years.

Lion's first move towards a more growth orientated policy in recent years has come through its food division which markets the booming Cobb and Co restaurant chain in Lion hotels.

But it seems Lion is now set to pounce on some unrelated diversifications.

Apart from these more entrepreneurial-sounding activities the new division will take over control of Lion's export drive and its catering supplier subsidiary, J Staples and Co Ltd.

Lion's former manager, finance and administration, Graham Lovelock, was appointed general manager of the division last week.

The week

The business week

Ajax GKN Ltd will change its name to **Ajax Fasteners NZ Ltd.**

Alliance Textiles Ltd unaudited net profit for six months to January 31 was \$1,170,000 (last year \$255,000). An interim dividend of 4 cents will be paid on May 27.

Ampol Petroleum Ltd will make a one-for-five issue to ordinary shareholders and convertible note holders at \$1.50, including a \$1 premium.

Michaelis Bayley Ltd unaudited loss for six months to December 31 was \$712,000 (last year \$1,007,000 profit). An interim dividend of 10 cents will be paid on April 15. The company will form a joint venture with **Australian Consolidated Industries Ltd** and **NV Borsumij Webry, Borsimex Pty Ltd** to take over the trading division of **Michaelis Bayley (Aust) Ltd.**

Bridgevale Mining Ltd has acquired the Willie Hearn oil and gas lease in west central Texas adjacent to the exisiing Fulton lease. Three wells will be drilled on the lease.

John Burns & Co Ltd unaudited net profit for six months to December 31 was \$449,000 (last year \$420,000). An interim dividend of 3.5 cents will be paid on May 29.

Computer Consultants Ltd have bought for cash the Sydney computer bureau, **Computer Installations Developments (Australia) Ltd,** from **Burns Philp Co Ltd** subject to the approval of the Australian Foreign Investment Review Board and both reserve banks.

Ebbett Waikato Ltd unaudited net profit for six months to January 31 was \$111,000 (last year \$39,176). An interim dividend of 4.5 cents will be paid on May 22. Directors are recommending that share capital be halved to \$400,000 and 50 cents of each \$1 share repaid.

Farrier Waimak Ltd unaudited net profit for six months to December 31 was \$51,814 (last year \$140,919 loss).

Holsum Bakery Ltd will buy a 50 per cent stake in Dunedin's **Jay's Ltd** bakery, saving 43 jobs.

Henry Jones Ltd and **Elder Smith Goldsborough Mort Ltd** will merge after the **Bell Group Ltd** retired from the takeover battle with a \$16.5 million profit. Elders and Henry Jones will swap shares one-for-one, or Henry Jones shareholders can take \$4.40 instead.

McAlpine Prestcold Ltd unaudited net profit for six months to January 31 was \$208,455 (last year \$104,590 loss). An interim dividend of 1.25 cents will be paid on May 5.

McKechnie Bros NZ Ltd unaudited net profit for six months to January 31 was \$932,000 (last year \$960,000). An interim dividend of 5 cents will be paid on June 2.

Motor Traders NZ Ltd unaudited net profit for six months to January 31 was \$158,000 (last year \$66,000 loss). An interim dividend has been passed. **H W Smith Ltd** will buy a 25 per cent stake in the company from **Borg-Warner Investment (NZ) Ltd.**

National Insurance Co Ltd unaudited net profit for six months to February 28 was \$3,762,000 (last year \$1,790,000). An interim dividend of 6.5 cents will be paid on May 18.

NZ Motor Corporation Ltd bought the outstanding 40 per cent of **Reotnecolour NZ Ltd** through its subsidiary **Group Rentals NZ Ltd** from the British based **Electronic Rentals Group.**

New Zealand South British Group was listed on the stock exchange, replacing New Zealand Insurance and South British Insurance.

Pioneer Concrete Services Ltd unaudited net profit for six months to December 31 was \$19,800,000 (last year \$15,170,000). An interim dividend of 5 cents will be paid on May 25.

The examiner of commercial practices approved the takeover of **H R Shackel Ltd** by **Canterbury Frozen Meat Co Ltd.**

Southland Frozen Meat Produce Co Ltd has shortened its name to **Southland Frozen Meat Ltd.**

F J Walker Ltd unaudited profit for six months to December 31 was \$A1,[illegible] (last year \$3,320,000). An interim dividend of 4 cents [illegible] paid on April 30.

Whitehaven Holdings has acquired 75 per cent of **New Zealand Land Se[illegible] Ltd** and extended its [illegible] April 22.

Exchange rates

As at April 2 \$NZ1 sells at:

Britain	.4065	Japan	[illegible]
US	.9105	Malaysia	[illegible]
Canada	1.0775	Netherlands	[illegible]
Australia	.7813	New Caledonia & Tahiti	[illegible]
Fiji	.7386	Norway	[illegible]
Austria	13.39	Pakistan	[illegible]
Belgium	31.23	Portugal	[illegible]
China	1.4650	Singapore	[illegible]
Denmark	5.9932	South Africa	[illegible]
France	4.1803	Spain	[illegible]
Greece	16.35	Sweden	[illegible]
Hong Kong	1.7023	Switzerland	[illegible]
India	7.1816	West Germany	[illegible]
Ireland	.5196	Western Samoa	[illegible]
Italy	919.10		

Consumer prices

FUELLED by rapidly rising energy prices, the United States consumer price index for February went up 1 per cent from the month before on a seasonally adjusted basis. The February increase was [illegible] than the 0.7 per cent [illegible] January and about the [illegible] the advances in each of the four months of 1980.

POST OFFICE TELEGRAPH MESSAGE

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Stock Exchange weekly review

FOR WEEK FRIDAY MARCH 27 TO THURSDAY APRIL 2

	Last sale	Week's high	Week's low	Turnover
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Last sale	Week's high	Week's low	Turnover
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Last sale	Week's high	Week's low	Turnover
12% CDNV PR	140	140	140	300
RNZTNS C.M.	152	152	150	2300
RTH. BRSTISH	C12	418	415	15400
STIKN. CDOSS HOTEL	A8	48	A3	25500
RTIIN CNOSS MINR.,20C	A5	45	45	12100
S.P.P.	225	223	222	10000
SPEDDSNG, 50C	72	75	72	1A600
12% CDNV PR	75	75	75	400
RTEFL R TUBE, 50C	152	132	110	97000
SUCKLSNG	165	163	165	9100
TAYLORR	150	150	150	3000
12% CONV PR	122	...	...	0
1ZLTNENP	142	142	138	10300
12% CDNV PN	120	...	...	0
T J EDNONDS	280	283	280	3400
TOLLER	100	190	120	7100
TOUN FIJI	35	...	...	0
TRANS ASNBUDTON, 50C	55	55	55	200
TNL BDDUP, 50C	105	105	103	75300
10% CONV PR	81	82	81	2900
12% CDNV PR	88	88	88	700
THANR ININ. CANT.)	120	120	120	1700
15.3% CDNV PR	96	96	96	500
15% CONV PR	93	...	...	0
U.R.B.,50C	104	106	102	50700
6.5-T.5R PD	115	...	...	0
12% CONV PR	00	92	90	2600
15% CONV PR	60	60	60	7200
UNIDN STEAM RHIP	92	...	...	0
5.3% PR	78	...	...	0
UNZTZO BLDG	9T	97	97	400
UNSTZD PUBLISNSNG,50C	280	...	...	0
VACATIDN,50C	TB	T8	72	12500
12% CONV PR	55	53	55	300
12.3% 1ONV PN	55	55	35	12700
NASTARS-N/R	220	223	220	40900
11.3% FDNV PR	176	178	178	1100
WALNER R HALL	410	A50	430	100
WATTSR,50C	133	134	152	57000
12.5% CDNV PN	90	90	90	11400
V2LBAR	450	...	...	0
W2STBRIDGE	213	...	...	0
VZLNSNR F DAVIBS	280	280	280	200
5.T1-T.5% PP	58	...	...	0
W.JEPTNNY	185	185	185	5500
12% CONV PR	120	...	...	0
VILSON R HORTON	450	450	C50	1100
WILRON DISTILLENS	120	120	120	2000
VILSON NEILL	11A	115	114	0100
12% FDNV PR	140	140	140	1A00
VZNSTONE,50C	T1	74	69	150600
12% CONV PD	30	55	50	30300
V'NTHS INI) PROPS, 200C	7A	...	...	0
5.T5% PR	73	73	73	100
W'VTHS AUST, 50C	245	...	...	0
NORMALD	290	290	280	800
5-T.5% PR	100	...	...	0
V.BUTHEDLAND	110	...	...	0
YATES CORP	453	455	430	19750
CONV PR	170	172	170	1100

Business

Insurer opts for forestry 'growth sector' investment

by Klaus Sorensen

THE National Mutual Life Association has shrugged off the conservative investment policies traditionally associated with institutions, in favour of an aggressive growth-orientated approach.

For years the institutions have formed the backbone of equity investment, but the National Mutual has in the past year undertaken a major reconstruction of its New Zealand share investment portfolio which has removed its name from several company registers.

The insurer has taken a gamble on the forestry industry by investing more than 40 per cent of its sharemarket funds in this area — a move which could rocket the association far ahead of its competitors in terms of investment growth.

The association recently released its annual report for its New Zealand activities for the September 30 1980 year.

The report shows clearly that the insurer has made a massive commitment to the forestry industry, and has at the same time "weeded" some of its other investment sectors.

It is not generally recognised that the job of an institutional investment manager is probably one of the more performance-oriented occupations in the investment world.

By a fund's balance date, its investment achievements must not only be matched up against inflation, but also against fellow investors, and the sharemarket's overall growth.

High inflation means the institution must show above average growth to satisfy its policyholders, or the requirements of its superannuation fund. But the funds are handicapped for a start by Government stock-holding requirements and other captive investments which provide below average returns, yet take the lion's share of investment funds.

It is left up to the equity portfolio to boost the fund's average return from investments.

The institutions can pursue various investment attitudes. An institution such as the AMP, is due to its sheer size, almost compelled to spread its portfolio among the majority of companies listed on the exchange.

Another method is to "buy the index".

Using this method the investment manager choses the index most likely to be studied by his directors and then structures his portfolio to the same "weighting" as the index.

At the end of the year the investment manager can proudly say his portfolio was able to exhibit the same growth as the index, or if the manager has regularly "traded" stocks during the year perhaps even higher.

The alternative is to put extra emphasis on a sector, or sectors, which seem likely to outstrip the average.

And that's what the National Mutual has done.

By investing heavily in the forestry industry the National Mutual should be able to comfortable exceed the average sharemarket growth both in the short and medium terms.

The insurer's latest published portfolio is dated September 30 1980, but this date was before much of the Fletcher-Challenge-Tasman sharemarket action took place last year.

Total market value of equity investments as at this date was $53.2 million. The portfolio has more than 60 companies in it, with 18 of the investments being worth more than $1 million.

The largest single investment is 1,909,812 shares in NZ Forest Products with a market worth of more than $7 million — equal to 13.2 per cent of the total portfolio market value.

Second largest is the 1,525,040 shares in Fletcher Holdings worth $4.4 million, or 8.3 per cent of the portfolio's total worth.

The investment in Tasman is relatively smaller at 580,921 shares worth $1.9 million, or equivalent to 3.6 per cent of investments.

The total "forestry" investment takes up 18.9 per cent of the portfolio — though Carter Holt is not in the list and companies such as Odlin and Winstone are classified as "building materials and construction".

But much of the growth in the National Mutual's portfolio has taken place since September 30 1980 — mainly in the form of the purchase of a 17 per cent interest in Carter Holt.

This purchase of 3.1 million shares followed the settlement of the Commerce Commission row over the Fletcher takeover bid for Carter, and the subsequent share manoeuverings. It has served to tip the balance of the National Mutual's portfolio well and truly in favour of forestry.

Because of this purchase, and the Fletcher Challenge merger since then, NBR obtained more up-to-date figures on the National Mutual's portfolio last week.

These show the National Mutual had a staggering 44.6 per cent of its equity funds invested in just three companies — Fletcher Challenge, NZ Forest Products and Carter Holt — at the end of December 1980.

This compares with the New Zealand United Corporation weighting for the end of December of 2.6 per cent for Carters, 12 per cent for NZFP and 18.8 per cent for Fletcher Challenge — a total of 33.4 per cent.

The latest weightings (see chart this page) show that as of last week Carter made up 2.7 per cent of the NZUC's weighting, NZFP 10.5 per cent and Fletcher Challenge 19.1 per cent — a total of 32.3 per cent.

So the National Mutual is way out on its own with its weightings.

But the National Mutual is still way out on its own with its weighting.

A spokesman for National Mutual told NBR last week that as a percentage of its total invested funds of $85 million as at December 31 1980, Fletcher Challenge made up 20 per cent with a market value of $[illegible] million, the Carter investment made up 13.3 per cent ($11.3 million) and NZ Forest Products was 11.3 per cent of the total at $9.6 million.

This came to a total of $[illegible] million — or 44.6 per cent of funds invested in the sharemarket.

It compared with the National Mutual's fourth largest portfolio investment, in Feltex, which made up only 4.3 per cent of funds invested.

But he made the point that there were four main factors in the increase in the figures (the $53 million to $85 million) since the September 30 1980 published accounts.

The National Mutual had incorporated the Commercial Union portfolio with its own, bought the Carter Holt shares, been a significant buyer of Fletcher Challenge shares since September 30, and there had been a significant rise in the market in the last quarter of 1980.

To illustrate his last point the spokesman said the Fletcher market valuation at September 30 1980 was based on a market price of $2.88 — by December 31 1980 the shares were over the $[illegible] mark.

He said he thought the average institutional investment in forestry was probably not more than 30 per cent and he justified his fund's emphasis on forestry by saying an "incredible development" of the industry could be expected from the mid to late 1980s as massive plantings of forests became available for processing.

For this reason the National Mutual felt secure in having such a large proportion of forestry shares, for long-term growth.

The National Mutual's move into leaders and major development stocks has been at the expense of a number of second liners.

Whereas the second liners — particularly those with export orientation — had been popular two years ago when the leaders were not, the tide has now turned. Many institutions now feel the second-liners have run their course and have as a result switched back to leaders.

The spokesman noted that the number of stocks under the portfolio's heading of "building and materials" had dropped from 13 to seven.

As he put it, "from our point of view it's better for Fletcher-Challenge to go up [illegible] than for one of the smaller stocks to double in price."

The New Zealand United Corporation's weighting as at March 31 1981 is (in per cent):

Alex Harvey Industries	3.8
ANZ Bank	4.9
Brierley	2.8
Cable Price Downer	2.1
Carter Holt	2.7
Ceramco	1.2
Crown	0.7
Dalgety	2.5
Dominion Breweries	2.4
Farmers	1.2
Feltex	2.8
Fletcher Challenge	19.1
Freightways	1.4
Golden Bay	0.5
Goodman	1.4
ICI	1.4
L D Nathan	1.3
Lion	3.5
MSI	0.7
National Insurance	1.5
NZ Fertilizer	[illegible]
NZ Forest Prods	[illegible]
NZ Insurance	[illegible]
NZ Motor Corp	[illegible]
NZ News	[illegible]
NZ Refining	[illegible]
NZ Steel	[illegible]
Odlins	[illegible]
Rothmans	[illegible]
Skellerup	[illegible]
South British	[illegible]
Southland Meat	[illegible]
Steel and Tube	[illegible]
TNL	[illegible]
Waitaki NZR	[illegible]
Wattles	[illegible]
Winstone	[illegible]

The NZUC Index is [illegible] as at March 31 [illegible] centages are approx[illegible]

Business

Analysing annual accounts: Tolley Holdings

by Klaus Sorensen

THE latest Tolley Holdings Ltd annual report shows how the Wellington electrical engineer achieved what amounts to a "text-book" restructuring of its finances.

That the company managed a rags-to-riches profit recovery in the November 30 1980 financial year is already well known. But the latest accounts show just how the company overcame problems involving undercapitalisation and a preponderance of short-term borrowings.

Last year, following the 1979 $1.3 million pre-tax trading loss, Tolley set about overhauling its financial structure — as the company didn't have the financial resources to satisfactorily maintain its local business, never mind burgeoning export trade.

Managing director Brian Tolley says in his review that "the group has now passed through the bleak period of the late 1970s, we have emerged with a stronger structure, more appropriately financed, and we have well disciplined manufacturing units."

The reorganisation was achieved by making a one-for-three cash issue to boost issued capital, and by refinancing many short term financial accommodations with longer-term loans.

The company also adopted a new property revaluation policy while it was at it, resulting in a boost to capital reserves and shareholders' funds.

Tolley says "in mid-year a thorough overhaul was made of the group's funding structure. Our bankers and advisers participated with us in this review which considered the company's present and future projections.

"Substantial changes took place as a result and these are reflected in the year end balance sheet and the source and application of funds for the year."

Tolley says the company's planned funding base is much improved and will assist the company's future growth.

The source of funds chart shows that the total available profit for the year plus depreciation yields a figure of $2,628,000.

This, plus the $1,575,000 raised by the share issue and a $1,206,000 increase in term debt, produced a total of $5,409,000 which was applied to the purchase of fixed assets ($925,000), a reduction in term debt ($711,000), increase in investments of $7000, purchase of minority interests of $33,000, dividend of $236,000 and the all important increase in working capital of $3,497,000.

The balance sheet shows that current assets comprising debtors, up from $5.4 million to $8.6 million, and inventories, up from $8.9 million to $12.6 million, increased from $14.4 million to $21.2 million.

Total liabilities increased from $14.4 million to $18.3 million, comprising a slight increase in current liabilities from $10.6 million to $10.8 million and a much greater increase in term liabilities (defined as term debt) from $3.5 million to $7.5 million.

But while the current liabilities figure of $10.8 million shows a small increase over 1979, there are some much greater changes in the financial picture contained within this category.

The most notable of these is a dramatic reduction in term debt (payable within 12 months) from $3.6 million to only $141,000. An increase in creditors from $4.8 million to $8.3 million counteracted this reduction.

The notes to the accounts provide a comprehensive rundown on how the company achieved its goal of reducing short term financing in favour of increased equity and greater long term borrowing.

The notes break the term debt into three areas: mortgages, NZ term loans and foreign currency term loans.

Mortgages repayable within one year have been reduced from $951,000 to $1000 while mortgages payable over one to seven years have increased from $164,000 to $1,213,000. The total for mortgages is slightly up from $1,115,000 to $1,214,000.

New Zealand loans repayable within a year have similarly decreased, from $2.[illegible] to $140,000 while loans repayable within one to five years are down from $3,178,000 to $2,674,000. A small $135,000 loan due after five years has been wiped.

Total New Zealand loans have therefore been reduced from $5,803,000 to $2,814,000 and replaced with a $US3.5 million unsecured term loan "from an overseas bank". The notes disclose a 14.75 per cent interest rate on this loan.

The result of all this is that debts payable within one year are down from $3,662,000 to $141,000, while term debt is up from $3,477,000 to $7,493,000.

However, the company's financial disclosure falls down a little here in that no idea is given on the future effect of the refinancing on the company's interest bill.

As well, the notes to the accounts show interest costs on long term debt rose from $569,000 to $972,000 while short term debt interest was up from $721,000 to $728,000, but no indication is given as to the effect of the refinancing on these two sets of figures.

The other aspect of the company's reorganisation is the adoption of a policy of revaluing property assets closer to market values.

The directors note that due to the increasing effects of inflation the company's land and buildings were undervalued in the balance sheet.

The policy has been changed to reflect 90 per cent of the valuation of a registered valuer as at the balance date and this has had the result of increasing capital reserves and shareholders' funds.

Capital reserves have increased from $760,000 to $1,648,000, mainly due to a $877,000 revaluation of industrial properties and a $11,000 revaluation of "other properties".

As reported, the company was able to stage a major sales and profits recovery for the year. The consolidated statement of income and expenditure shows sales increased from $23.8 million to $33.0 million which included a jump in export sales from $2.7 million to $6.9 million.

But the cost of sales and overhead followed this increase just as closely, rising from $25.1 million to $32.1 million which left a trading profit of only $868,000 — though this is still much better than the 1979 trading loss of $1,315,000.

But added to the trading profit is a $790,000 export sales incentive rebate ($369,000 in 1979) which makes up a substantial proportion of the total trading profit of $1,658,000.

No tax was payable in respect of the financial year and the profit is boosted by a $350,000 extraordinary item which resulted from a regional development loan which was "forgiven" on December 31 1979.

But while the report provides a comprehensive rundown on how the company achieved its current financial health, there are few clues given to where all the profits came from.

Managing director Tolley provides a rundown of the different divisions in his review, but the descriptions are general and the various contributions could be quantified to a greater degree.

Brian Tolley talks to a trader in Dubai

Tolley informs shareholders "all divisions participated in the export thrust and contributed to the results achieved" — but for the benefit of those shareholders lacking the stamina to trudge through the balance sheet and the 16 notes to the accounts, some details would have been nice.

The cable division, for example, "had a stable year", the switchgear division "had a very successful year", while the transformer division had "another successful year".

This cautious approach to divisional disclosure may be for competitive reasons, but the company proved last year with its one-for-three cash issue that at times it must rely heavily on shareholder support.

Dividend payment is always the only reward shareholders look for and a fuller disclosure would help them to participate in what is quickly becoming one of the country's most aggressive exporters.

But NBR must also sound a warning to Tolley shareholders.

They should note that while the annual meeting is to be held at 11am on April 14, the morning tea will be served before the meeting — at 10.30 am.

Geoff Thompson: feet firmly in the 'middle ground' avoiding Thatcher excesses

by Colin James

SIGNS that the National old guard and its erifice among MPs are moving closer together come in this interview with Geoff Thompson, MP for Horowhenua.

Thompson, a tough young lawyer, came into Parliament in 1978 as one of a new breed of MP demanding a commitment from the Government to a freer, more competitive economy. But recently, he has been tempering his attitudes.

There have been moves in the "more market" direction: more flexibility in import licensing, a textile plan aimed at letting the weakest parts die, delicensing of the meat freezing industry and film distributors, a more wary eye on regulations.

Not fast enough, say some in the party still, from the safety of a political armchair, warming themselves by the fire of politics.

But for those in the fire, simple solutions become less attractive. Thompson's electorate has been hit by some of the restructuring, both Government-induced and naturally occurring. And in the past few months he has seen the harshness of Margaret Thatcher's monetarism — and been horrified.

Thompson was singled out by Prime Minister Robert Muldoon at the end of his first year in Parliament as a man to watch. Certainly, he has shown a canny eye for the middle ground. His changing perception may provide an indication of where the party is heading.

***NBR:* You come into Parliament in 1978 as one of the new breed of younger, more pushy MPs, who were togged with having a preference for a "more market" economy. Do you accept the tag? If so, are you satisfied with progress that has been made?**

THOMPSON: "More market economy" has now become a cliche, which can have different interpretations for different people. I do accept the need for a more market economy in the sense of the need for increased competitiveness, the reality of business trading and that sort of thing. And I believe there has been modestly good progress towards it. Perhaps not as much as we would like to see but then there are so many areas which are so deeply entrenched — such as transport licensing. But we have made progress. Textile restructuring is an example which I've had to live with, but I feel is now starting to look successful.

But you still have firmly fixed in your mind that the ultimate goal is a much freer economy. What you are questioning is the cushioning methods which should be used?

> "WE are all probably political pragmatists at heart."

I think that is right. When we talk about a "more market" economy I like to think that we are also talking about individual opportunity, the possibilities that you have to get into business, to do something for yourself, make individual progress, as it were. And in that way I think there are many constrictions that could be removed.

Which specific betes noires do you have?

Town planning. I think we are overly planned, we are overly bureaucratised in that area. There are some others. We've had in a very small economy a growth of regulation between competing individual interests. I think we've reached the stage where the growth of those regulations is being quite strongly challenged. So we are going back to basics really and saying, "Well, how much of that is really necessary to protect the efficiency of a transport operator, or to protect the efficiency of the Railways?" That's very good, but it can be frustrating in that going back to those sorts of basics involves such a long time and snail-like progress, perhaps.

Doesn't snail-like progress give the opportunity for stalling progress altogether?

That's a risk that I think you've got to be very careful to avoid. There are those who might say, "Why bother at all?", and those that would throw up roadblocks.

Are some of those in your party?

Well, we are all probably political pragmatists at heart. And we are concerned about reactions on our own electorates and things like that. I'm deeply concerned in my own electorate about some of the impacts and have acted accordingly.

Has the impact on the electorate altered your own views, the preconceptions you came to Parliament with?

Yes. The realisation that the commercial world, the economic expectations, the manner in which we operate are very much more complex than you might think from the outside looking in. There are so many factors that you have to take into account.

But I also feel that my political attitudes have been firmed substantially by what's happened in the Horowhenua which I think has tended to be in the forefront of some of the interesting things that have happened in the past two years.

The textile restructuring is the classic. The risks to employment in small towns is another one. Places like Foxton, Otaki and even Levin are very

> "I'VE been horrified to see the cruelty with which she (Mrs Thatcher) has been applying what she believes to be a fairly strictly monetarist policy."

typical of New Zealand and there have been considerable threats to them.

The other area is land use — farming, horticulture and the quite dramatic changes in attitudes that have been occurring. I'm trying to keep up to date with all those sorts of things, but I feel I have been modified by them, yes.

So one cannot in your view be cruel to be kind?

No. I think you can't go so far as to say, "Take your medicine and. . . ."

Isn't there a danger of being too kind and ending up being cruel? Isn't this what the "more marketeers" are on about — that 40 years of kindness has ended up being cruel?

It's a matter of degree, isn't it? What we are trying to establish within the National Party, I believe, is a much greater sense of mission or a longer-term object, which we've failed to have, especially over the last 20 years. So, if we've got a longer-term object, well, we can perhaps have a measure against which we can check the various steps as we go along the way.

I feel that without that long-term object, that's when you're likely to stumble and fall, because there is nothing to keep pulling you forward.

Somebody who does have a long-term aim which appears to coincide with the "more market" approach is Margaret Thatcher. You've had a chance to see her policies in action. What has been your reaction to that?

I've been horrified to see the cruelty with which she has been applying what she believes to be a fairly strictly monetarist policy. What I think I have seen there is an effort to streamline industry and the economy for the ultimate good, but with very little regard for the impact.

I have come back feeling much more satisfied about the need in New Zealand for perhaps a more moderate marching along which involves a safety net, a caring of the impact of these tougher policies. I'm not impressed by what I see of Margaret Thatcher's proposals so far — the closing down of factories, massive unemployment, the great difficulty with controlling Government expenditure because you have to pay out for unemployment benefit and things like that.

Also there is a measure of inconsistency in the support she's having to give to state industries, like British Leyland and British Steel, while she's letting private industries go to the wall.

So, philosophically she's wrong? She's been helping the state sector at the expense of the private sector.

In the sense of the survival of industry, yes. But getting back to your original point, "where will this lead?", I don't think anyone is in a position to judge. She just says, "Let's just keep this course going and I'm sure it will turn out well in the long run."

In what way do you differ from the Labour Party? The Labour Party says it wants a more competitive economy but it must be a humane transition.

The Labour Party is seeking to move from the left into the middle ground that I believe the National Party has occupied quite comfortably and reasonably effectively for the last 30 years.

I think that we could be at risk by seeming to move out of a ground that has been well

> "WHAT is the role of the member of Parliament but to try and represent in the system of government that we have the needs and aspirations of his electorate at large?"

accepted and is popular amongst the great mass of the electorate. I believe that the talk by the Labour Party about the mixed economy is in fact a smokescreen for the much greater element of state control (which, of course, I reject), the much greater degree of paternalism, which we are moving away from.

And I say the same thing about the Social Crediters. They are trying to move into a ground which has been traditionally ours. We oughtn't to move out of it, but we can move perhaps slightly to the right of it, with this emphasis on competitiveness and so on.

Talk of Social Credit leads to the observation that you are in a small business electorate. It's really saving your electoral skin, isn't it, that you're developing this concern for the safety net?

Oh, that it would be so easy to justify. But it's not, because what is the role of the member of Parliament but to try and represent, in the system of government that we have, the

> "ARE you now close to the Prime Minister's way of thinking?" — In the sense of economic management, probably much closer than I was previously."

needs and aspirations of his electorate at large? All I'm saying is that I'm trying to represent what I think is the great mass of demand which is close to the middle ground.

The party has seemed to me to be clearly saying in the last two years, "The Government is moving too slowly in decentralising and deregulating the economy."

Do you then see yourself as representing the electorate at the expense of the party if necessary?

I don't see myself representing ideologs of the right, at all.

Is Derek Quigley an ideolog of the right?

No, I think there are some people who might try and paint him into that role, as being the most easily identifiable.

Are the people who turn up to conferences of the National Party ideologs of the right?

Many of them are. And many of the talkative ones are. But I believe I've got one of the strongest electorate organisations in the country. I keep very close to my electorate and I've got very few who are coming to me and saying, "You must do this, you must do that."

Geoff Thompson . . . getting the message across.

I've got basically people who are small business, farmers, entrepreneurs, who are saying, "Keep moving along this slightly more competitive road, but take care at the same time."

So I'm saying that I'm representing them and that sort of middle-ground party membership but also representing, I think, the broader view of the electorate as a whole anyway.

Is it possible that in a high-country electorate in the South Island you might have different opinions?

Yes. I have to accept that. I have accepted before that most of my attitudes are honed by my

> "I HOPE I am not being misunderstood about my attitude to less government, to less bureaucracy, to greater competitiveness. I support these absolutely. But I see them within the context of our traditional policy closer to the middle ground."

experience, both personally in what I have done in life and also in what I am finding is necessary for Horowhenua, to be truly representative of their needs.

Are you now then, in your view, close to the Prime Minister's way of approaching these matters?

In the sense of economic management, probably much closer than I was previously. I've come back to accept that the balanced course, the moderate, balanced course is a good thing. Perhaps where I disagree with perhaps the Prime Minister's approach is that it lacks, perhaps, a longer-term vision of where we all get to in the end, and the sort of measuring rod that I think is desirable for policies. I am positive the Prime Minister accepts the need for restructuring, competitiveness and the growth strategy through private initiative and the private sector. There is absolutely no doubt about that.

What I think we're trying to do now is to express, all of us, what that means in philosophical terms. I am sure the Prime Minister would not want to use those terms, though. He talks in pragmatic terms about what the electorate wants.

Does a politician not have a duty of leading as well as representing?

Yes, I acknowledge that. But woe betide the politician who tries to get too far in advance of his electorate.

How vigorously do you educate your electorate to accept your views, to come round to your way of thinking? Presumably you can lead a little faster if you can persuade the people that the direction you are going in is necessary.

Well, yes, we do. We've got this communication responsibility, which I believe we are getting across: that is, the need for change, the need to accept some of the difficulties which are occurring, the need to put New Zealand in the context of the world's difficulties which I think is one of the hardest responsibilities we have.

If you've seen fit to modify your views, is this representative of the class of 1978? And does it mean that we are going to see less of a push within the Government ranks for the continuation of freer market policies?

No. I hope I am not being misunderstood about my attitude to less government, to less bureaucracy, to greater competitiveness. I support those absolutely. But I see them within the context of our traditional policy closer to the middle ground. What I am saying is that we have got to pursue these things — the growth strategy, the competitiveness, the new big industries — from the point of view of what it means to the ordinary person. And I think that perhaps we haven't made that connection quite well enough.

I think my colleagues and I, through experience, are now

> "IT is really a question of perception rather than a change of policies."

coming face to face with the meaning of these things and translating them into positions that are readily understood in the electorate, that is, "what it means to you". The think-big thing, for instance: I see as being sold from the ground up, not from the top down, and I think we've got ourselves out of gear a bit because of the original presentation.

I think we've got to be talking a lot more about the individual, his opportunities, the jobs that he's going to get, arising out of changes, the improvements in standard of living that he can hope to achieve because of what is happening.

That really is a question of perception rather than change of policies, as far as I'm concerned.

Marketing

Here for a pizza of NZ's fast-food action

Gill Butler . . . catering for all tastes.

by Lindsey Dawson

WHAT do New Zealand, Guatemala and Kuwait have in common? The fastest growth rate of Pizza Huts in the world, that's what.

The American-inspired pizza places where parents can have a drink while the children down their Pepsis are spreading all over the world with the alacrity of Colonel Sanders in his prime. Twenty-two countries have been "pizzarized" so far, and there are 3800 outlets in the United States (trailing after McDonalds, about 5000).

In Auckland recently to look over the New Zealand scene was Gill Butler, president of the international food services division of Pepsico, which runs the Pizza Hut and Taco Bell restaurant chains.

Pizza Hut here is wholly New Zealand-owned, operating under a licensing agreement. It is managed by Garry Melville-Smith, formerly New Zealand manager of Kentucky Fried Chicken.

Fourteen Pizza Huts have popped up in towns from Whangarei to Chriatchurch, and plans are to boost that to 35 in the next few years – all of which helps towards Pizza Hut's international takinga of a billion dollara a year.

Australians are great pizza munchers too, and Sydneysiders have the largest Taco Bell restaurant in the world – a 130-seater on the corner of Parramatta and George Streets.

Kiwis have yet to sample the Mexican takeaway, but there's no doubt of our fondness for pizza. One-third of Pizza Hut's cuatomers eat there once a month or more.

They're a youngish crowd, aged 35 or below, and they tend to regard eating at Pizza Hut as a local outing for the family. More than half the cuatomers come from within an eight-kilometre radius.

Butler said that while the chain world-wide tried to maintain similar high standarda from country to country, the menus tended to vary and that there were pronounced taate preferences around the world.

"In Australia and New Zealand your favourite topping is ham and pineapple. We sell miniscule amounts of that in the states of Washington and Oregon.

"In Chicago they're very sausage-orientated. A pizza without pepperoni is just not pizza as far as they're concerned.

"New Yurk is amazingly topping-free – they tend to like cheese only.

"In Mexico, of course, they go for chili peppers, and that's also popular in the United Kingdom," said Butler.

With some 8000 combinations of topping available, it's no wonder that customers tend to ahy away from decision-making and simply order a Supreme Pizza with a bit of everything. That's the top-seller, world-wide.

"The Japaoese and the Singaporeans io particular hate to have to make choices, so on their menus everything has a name for quick reference," Butler said.

Pepsico hasn't steered clear of strange markets. Its Singapore outlets would have to be regarded as a gamble because before Pizza Hut opened 80 per cent of its citizens had never tasted pizza. But it's extremely successful.

Negotiations are under way to open in Bulgaria. The Bulgarians are keen, but they insist on a trade deal in exchange for the export of tomatoes and mushrooms.

Drink preferences vary internationally too. The Americans nearly all drink beer with their pizzas, except for California where more wine-drinkers live.

The Europeans prefer wine, and the Japanese are just as likely to wash their pizza down with whiskey.

Competition is fierce in the American fast-food business. High interesr rates, sluggish coosumer demand and strong competition from other pizza chains have meant slower than planned growth for Pizza Hut in the States, where it has to fight the attractions offered by other chains like McDonalds, RFG and Burger King, not to mention Dunkin' Donuts, the International House of Pancakes and Jack-in-the-Box.

But Pizza Hut is well up in the top 25.

With Americans eating one meal out of three away from home there's a big business pie to be sliced up. Melville-Smith said that New Zealand eating-out statistics were unknown "but it would certainly be way down on that."

Since the first Pizza Hut was opened in Kansas in 1958, the Italian pastry dish has become as all-American as apple pie. And Butler proudly says that the latest food-preference survey conducted between Americans aged between 11 and 20 showed the pizza is the most popular food.

Pizzas please 44 per cent most, while 36 per cent go for burgers.

Listener look-alike

ANOTHER group has entered the Auckland magazine market scramble with a monthly throwaway, *The Grapevine*, which will go to all 253,000 homes in Auckland at the end of May.

The magazine is a *Listener* look-alike to be published by Sunflower Communications Society Inc, described by marketing manager Alan Knox as a "charitable organisation". It will be printed by Wilson and Horton Ltd.

Knox said it would be a "good news" Christian magazine, but the good advertising will be at a good price – $2450 for a four colour page and $1610 black and white.

The capital source? "Essentially it is community funded," says Knox. His group went to church leaders, got permission to distribute brochures to church members, went to business leaders as well and got enough money to launch.

Media

Broadcasting's watchdog comes a tumble

by Brian Stephenson

THE Broadcasting Tribunal's favourite, or at least its most regular, customer has suffered a setback.

Clifford Reginald Turner has previously scored successes in his one-man campaign to keep radio and television advertising up to its self-imposed rules.

But in his efforts to pot a Hamilton used car dealer, Turner was himself snookered. The tribunal told him he was in no position to complain.

Turner had complained about the words, "Safety in the used car jungle." They were used in a commercial for Ebbett Waikato Used Cars on Network One. The words, said Turner, carried a clear implication that, although other firms may cheat customers, this would not happen to people dealing with Ebbetts. In short, "knocking copy."

He pointed to Advertising Rule 1.7: "Advertisements should not attack or discredit other products, advertisers or advertisements directly or by implication."

The tribunal ruled that there were two things wrong with Turner's arguments:

- The rule was for the protection of other advertisers and, because Turner was not one of those, he could scarcely bring an action on his own account – especially if no other used car dealers had complained.
- It rejected his view that the words suggested that other dealers were dishonest.

The decision stated: "There are no disadvantages for the public in the use of what is known as 'knocking copy' but there are disadvantages for advertisers.

"We see in this instance no need for a watchdog to enforce the rule when there are persons affected who would be sophisticated enough and willing to object if an advertisement adversely affected them."

On the second point, the tribunal held that the complaint was without merit. "The advertisement clearly does not attack or discredit other products, advertisers or advertisements directly or by implication. Mr Turner was insistent that the advertisement in some way suggested that used car dealers other than the advertiser were dishonest.

"That may be Mr Turner's interpretation but it is not a reasonable one. It is apparently based on a stereotyping of the used car trade plus a cynical interpretation of the nature of the advertisement.

"We see no objection whatsoever to the word 'jungle' in relation to the buying or selling of a used car, or to an assertion that a particular advertiser may provide safety withio that jungle."

Turner, a 56-year-old registered engineer who works for New Zealand Electricity in Hamilton, admits to feeling rueful about the defeat, but is undeterred.

More of his complaiots are still to be heard. But from now on he will stick to his favourite target: liquor and tobacco promotions. "I'll win more than I'll lose at those," he says.

Not that Cliff Turner is a wowser. He drinks, although less and less, lately. He has never smoked, despite time in the British Navy with access to cigarettes at a shilling for 50.

And his opposition to advertising the social vices is based on strictly secular considerations. He toyed with the idea of joining the New Zealand Alliance but was put off by the strongly religious flavour:

"I met Tom Quail (of the Alliance) in Wellington. I was toying with the idea of joining the Alliance but about that time television made a film on them called 'Fight the Good Fight.'

"If the brewers had paid them to make the film they wouldn't have any truck with a lot of hymn-singing old ladies. I told Quail: 'You've got to get God out of the temperance movement because that's what puts people off. If you could go at it from a purely secular point of view perhaps people would take more notice.' "

Turner has had a few wins and has prohably cauaed a sleepless night or two for liquor industry advertising men. He gets annoyed about liquor and tobacco company sponsorships being freely mentioned on television and radio when, purportedly, there is a ban on liquor and tobacco advertising as such.

"There was the Lion Man of the Test promotion about three years ago on TV. I complained and the Broadcasting Corporation overruled me. Then I bought a copy of the advertising rules and went to the tribunal. They upheld my view.

"The 'Spell Lion' contest with bottletops was another one. I brought a complaint against Radio Waikato but when I got to the tribunal I found that about 25 Radio New Zealand stations had also been running it.

"I had four complaints upheld in 1980. The government then revoked one of the regulations about liquor advertising. Until then, the Lion racing results were wiped from radio for three weeks."

On a purely secular level, Turner thinks people's health and people's money are good enough reasons for bans on liquor advertising:

"I think there's a vast amount of untapped antagonism towards the liquor interests, not just from teetotallers but from people who like a steady drink, when they see the power the brewers obviously have. And the cost to society is absolutely tremendous."

As for smoking, Turner finds it sad to see young people taking to it, although he does see some hopeful signs.

Turner argues his own cases before the tribunal ("I couldn't afford a lawyer") and does not feel hampered by a lack of training in advocacy. He feels the Tribunal is at great pains to give him a fair hearing.

In the Ebbett Waikato Used Cars decision, the tribunal dropped hints that self-appointed watchdogs ahould prepare their ground well.

"It appeared . . . that Mr Turner was looking for possible breaches of advertising rules, based on a strict interpretation. . . . We would have been reluctant to determine such a complaint (if we had considered the advertisement to be a breach of the rule) where there appeared to be no injured party and no complaints about the advertisement. We believe the broadcasting industry can do without that sort of supervision."

'God bless America' — we need their dollars now

by Gordon McLauchlan

"GOD Bless America" could well become the anthem of our tourism industry if holiday visitors from the United States keep saving us from the embarrassing drop in Australian interest in their nearest Commonwealth neighbour.

The increase in the number of American tourists (12,990) in the 12 months ended last November 30 (the latest official figures) almost exactly equated the drop in the number of holidaying Australians over the same period (12,119).

In fact tourists from the United States (51,377) and Canada (11,661) now total well over half the number of Australians (120,169). The biggest growth in the Austrslian market — indeed from the whole world — is in the "visiting friends and relations" category.

This category of visirors is hastily written off as uneconomic by the accommodation sector of the industry on the grounds that they don't use tourist facilities.

Tourist and Publicity Department general manager Neil Plimmer concedes that this is probably valid in the case of Australian residents coming here.

He agrees that they are largely expatriate New Zealanders coming home to see parents, staying only a short time and not spending money while they are here.

But the long-haul business — from Europe and specially Britain — is probably a lucrative source of overseas funds, he claims.

He would find support from experienced members of the industry. European visitors come to stay with friends and relations but because they come such a long way they tend to tour as well, using the tourist plant at least as much as those visitors included in the "holiday" category.

Plimmer has been general manager for a year this month and has given *NBR* advance figures for the full 1980 calendar year which he claims vindicate his optimism about the imminent growth of tourism.

The all-categories number of short-term visitors to New Zealand during 1980 grew by 7.6 per cent over the number for the previous year, a steady advance even if the biggest growth came in the "friends and relations" category.

Darak Quigley... Intentions not claar.

More important was the relatively striking 3.6 per cent growth over 1979 in the number of visitors coming to New Zealand on "holiday or vacation" — to use the department's persistent and grating tautology.

Over the past few years the growth in this tourist category has been under 2 per cent, and often enough has been a minus on the previous 12-month period.

The extraordinary growth from the United States and Canada was sustained during December 1980 and the feeling within the industry is that it has continued since — apart from the rupture of service caused by the aviation strike in February and early March.

But the decline in the Australian market continued and shows no signs of abating despite promotion from combined New Zealand interests during this past summer season.

The strikes may have reduced the cost-effectiveness of this promotinn, but the signs are that no renewal of Australian interest is immediately fortheoming.

Plimmer agrees that any turnaround in the Australian market is likely to be gradual — except for the good prospects for next ski season — July, August and September. He doesn't foresee any strong improvement for another 12 mooths.

But, he says, there are several conditions which make an improvement in the Australian market look good.

There is the favourable currency relationship for Australians ($NZ1.26 for $A1.00 a week ago), and "perhaps even more important is that it's beeome relatively more expensive for Australians to take long-haul holidays and this business has been falling away.

"There is growing evidence that Australian interest is turning to short-haul travel. That doesn't mean that New Zealand will necessarily benefit but the conditions are there for us to benefit if we do it right."

To do it right, the department is "gearing up for a quite new approach" to publicity in Australia which Plimmer thinks will have a strong impact.

More of the advertising in Australia will be on television and in that advertising a new theme will exert "a more emotional pull" compared with previous campaigns.

Plimmer would not elaborate on the "emotional pull", except to agree that it would emphasise "family ties".

Target date for the publicity launch will be August for the next summer season.

Plimmer came from the Ministry of Foreign Affairs a year ago to his present post and is professionally familiar with the Australian scene (his last diplomatic post was Deputy High Commissioner in Canberra). He is a shy man, doggedly confident that tourism has a bright future.

He says New Zealanders have long had an appreciation of the value of the industry as an earner of foreign exchange. What is happening now is a spreading realisation of the job-creation capacity of tourism.

"This gives us another very strong arrow in our bow," he said.

He accepts that it is difficult to measure the degree of investment in New Zealand plant. "We don't have accurate statistics for assessing investment in new plant but there are pleoty of aigns that it is stepping up quite markedly.

"New investment input is good in itself. The outstanding growth is in long-haul traffic and it is in response to this I'm sure that investment is stepping up."

Plimmer is confident that attempts (and partial success) by the State Services Commission, with the backing of the Government, to dismember the Tourist and Publicity Department are over.

Whether this confidence will continue with the high priest of the private sector, Derek Quigley, now the Minister of Tourism, is something observers may apeculate on, but apeculation it must remain.

Says Plimmer: "That is a period that is firmly behind us. We have the full support of the Government and the State Services Commission for what we are doing.

"The department is shifting course somewhat with less stress on its operational role and more stress on the marketing and promotion of New Zealand overseas, and more emphasis on the role of advising Government in Wellington on tourism policy.

"The operational role itself is becoming a leaner and hungrier operation and on a more strictly commercial footing."

Now, a census form for tourists

THE Tourist and Publicity Department will embark on a detailed survey of visitors to this country during this financial year.

Departing tourists will be presented with forms at international airports to firm up information on:

- Spending and travel patterns within this country;
- Tourism plant they have used — in others words, where they've been, where they've stayed at night and what they have done to entertain themselves;
- Which countries they have visited on the way here and where they intend stopping off on the way home.

The last similar survey was undertaken in 1972-73. Some resistance was reported at that time from within the industry and from tourists on the grounds that the tourist world had enough forms without another one!

Nell Plimmar ... survey pretealad.

Tourist and Publicity Departmeot manager Neil Plimmer doesn't think there will be a problem this time. The form, he says, has been pretested and should present tourists with no problems.

The survey will continue through 1981-82 because it is felt it will be adequate only over a full 12 months.

Australia conducted a similar aurvey recently, says Plimmer, and "the pattero of spending by tourists that emerged indicated they were spending rather more than showed up in the official figures".

He feels the Reserve Bank figures here may similarly prove to be too low.

He feels that there are flaws in the basic staoatics kept now on visitor arrivals because they don't show length of stay. That, combined with how much is spent, is vital information.

"You could have a rapid rise in the arrivals and be worse off because visitors do not stay as long. I don't think that's happening here now but we don't know enough about it," says Plimmer.

Few joyful tidings for conference delegates

This survey on the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

CONFERENCE time 1981 promises to be less of a happy occasion for many of the delegates than has been usual for the Plastics Institute of New Zealand.

Amid the problems of facing a depressed marketplace there looms the question of the industry study and the appropriateness of the study commission's early findings.

It has become abundantly clear that many sectors of the plastics industry are more than unhappy with some of the basic philosophies adopted by the Industries Development Commission for its study programme.

Already the New Zealand Manufacturers Federation has contested publicly facets of the Commission's approach to industry studies, albeit to come away compromised to the extent of accepting its general principles, with reservation.

PINZ itself, it is understood, will allow no such compromise. It will present submissions on behalf of its members at a further public hearing scheduled for early May, and is confident of being able to convince the commission that some of its recommendations are inappropriate.

It will be the job of conference to evaluate reaction to these submissions and determine a course of further action.

A guest speaker to the conference will be IDC chairman Ted Tarrant. It is expected he will clarify many of the points being contested by the institute and further explain the commission's role in encouraging the future efficient development of New Zealand industry.

Issues to be considered alongside the ultimate outcome of the industry study — closer economic relationships with Australia and external trade and tariffs generally — are also expected to take a fair slice of conference time.

PINZ representatives have met with their Australian counterparts on several occasions since last year's conference and the details and direction of these meetings will be discussed.

A continuance of trans-Tasman industry-to-industry discussions by Plastics Institute representatives depends on the likely outcome of the industry study.

Discussions to date have established a base on which to develop some form of closer economic ties at an industry to industry level, but further moves depend on whether the Industries Development Commission will introduce a tariff testing procedure for the industry.

Following their success last year, workshop sessions will again be a feature at this year's conference. Topics for discussion include industrial relations, communication, the impact of the silicon chip on industry, business finance and exports.

The results of an industry-wide survey of exports are also expected to be announced at the conference. A similar survey presented last year showed plastics processors contributed more than $35 million in direct and indirect exports to the national economy. That figure is expected to exceed $50 million this year.

In a departure from tradition, the results of the institute's annual design awards competition, held in Auckland last week, will be announced at conference. An audio-visual presentation of the awards will be followed by the awards presentations.

Science and Technology Minister Dr Ian Shearer will present the awards.

On trade issues it is expected delegates will continue to push some form of continued protection from low-labour-cost Asian countries which have, along with their own high levels of tariff protection, low tax rates and export subsidisation schemes.

The plastics industry has long argued that countries such as Taiwan and Korea may be underdeveloped socially, are highly developed in an industrial sense, and accordingly should not be afforded a developing country duty preference.

The parting shots at conference will be fired at final night festivities. A western evening is planned and while much of the conference discussion will be holstered, it is apparent that the gun-toting will continue throughout the course of the industry study.

The 1981 Plastics Institute conference will be held in Rotorua from April 25 to 27.

THE first designmark to be awarded for a flexible packaging product has been won by Trigon Plastics (Wellington) Ltd.

And receiving the award from Trade and Industry Minister Lance Adams-Schneider and Design Council chairman James Collins (right) is Trigon's technical manager, Rob Sullivan.

The designmark was awarded for the unique re-sealing capability of Trigon's Tapeseal re-sealable polythene bags.

Exports worth more than $50,000 are expected for the product which allows easy inspection of contents, eliminates tapes and seals and which can provide a contamination-free pack.

It is expected the range of Tapeseal bags will find particular favour with textile and clothing manufacturers, food packers and computer-components distributors.

Long-life PVC film for greenhouses developed

A LONG-LIFE PVC film which can cut the capital cost of commercial greenhouses by up to 75 per cent has been launched after 12 years' development.

Nylex growinghouse film, developed and manufactured by Nylex Fletcher Ltd of East Tamaki, Auckland, is specifically designed to withstand New Zealand's extremes of climate. The film is particularly tough and also, unlike polythene, has considerable elasticity to draw it fully back to shape in the event of any distortion under the assault of high winds.

So tough is the new film that when it was displayed during the 1980 national field days at Mystery Creek, near Hamilton, members of the public were challenged to try to tear the material.

Says Richard Anderson, sales director of J N Anderson and Son Ltd, the major Hawkes Bay nurserymen who are sole sales, design and service agents for Nylex Growinghouse Film: "It has a stretch factor of 300 per cent before it breaks and with up to about 25 per cent stretch it will go back to its original shape. We tell people it has a memory...

"At the field days we had strapping Waikato cow cockies having a tug-of-war with it, trying to break it."

Andersons has been involved in development of the film since the first Nylex steps into the field, 12 years ago. Although PVC horticultural film had previously been manufactured overseas, New Zealand's high levels of ultra-violet radiation, generally moist atmosphere and windy conditions demanded something better than the overseas development.

Polythene was seen as a short-life material not truly meeting the needs of commercial growers.

Nylex Fletcher market manager Bill Taylor says: "We have a pretty brutal climate here for plastic materials, between the ultra violet and the wind. UV reduces the physical properties of your material and then the wind makes you call them all up again.

"Products that might have been satisfactory overseas may be no good here."

In looking for a plastic covering for greenhouses as an alternative to traditional glass, Nylex and J N Anderson and Son were considering not only the cheapness of the alternative structure but also its greater efficiency as compared with glass.

"There is much less leakage than with glass and you can control your environment more satisfactorily," says Taylor.

"You can very easily make this thing gas tight."

DSIR tests have shown that 0.3mm Nylex film transmits 90 per cent of available light (two gauges of the new film are available — 0.3mm and 0.4mm, both in 153cm widths). Light is considerably diffused, minimising shadows and making a better environment for propagation.

Reduced conductivity and emissivity of the membrane provide better thermal insulation and, thus, lower heating costs than with glass.

The film can be high-frequency-welded to any size or shape and stretched to frames to provide a highly efficient thermal envelope with significantly lower heat losses than conventional glasshouses.

The result of the improved heat containment can be earlier harvests and greater yields. Tunnel house design lends itself to the use of shade cloths.

Such is the versatility of the product that it is by no means confined to the accepted bow-roofed tunnel house. Andersons in Napier has one block of gabled growing houses covering three acres, covered completely in Nylex growinghouse film and with no dividing walls.

The film already has a broad range of uses away from the horticultural field, as a cover for sheds and in various other applications.

Says Taylor: "With such a tough, durable film available, the agricultural sector is bound to come up with all sorts of new uses for it."

Expected life of the new material is at least seven years when properly used. The Nylex film is treated against fungal and bacterial attack and is formulated to resist ultra violet light.

Anderson says an earlier PVC formulation has consistently given four years or more of life. Laboratory tests showed the old film giving 2000 hours of life under accelerated weathering conditions while the new development lasted 3700 hours.

He also emphasises that the film must be put on its frame correctly and adequately stretched. His company is offering backup advice to ensure that the film is used correctly, whether purchased in roll form or as a fabricated cover with high-frequency-welded joints.

The stretching of the film means that, like the stressed skin of an aircraft, it contributes to the strength of the lightweight frame beneath it — and it cuts out chafing. That factor, and the low maintenance requirements, contribute to the low overall cost of PVC-covered greenhouses.

Interest sparked at the national field days has led to inquiries for the film from Australia and Papua New Guinea.

Maintenance manager Brian Lamont walks across the Nylex roof of the growing houses at Anderson's Napier nurseries.

West Germany pioneers waste-recycling plan

THE first phase io a nation-wide waste-recycliog programme in West Germany got under way early this year in Reutlingen, serving an area with 400,000 inhabitants.

A municipally operated plant that handles some 150,000 tons of domestic refuse a year will separate and recycle usable materials. These materials include an estimated 3000 tons of LDPE film that is used in packaging.

The equipment, manufactured by Krauss-Maffei, can recycle heavily soiled scrap involving one material only, and it can also separate and recover mixed materials.

In processing solid film, the material is first washed and, at the same time, shredded into 1sq cm pieces. The pieces are drained and conveyed into a flotation bath where heavier fractions, such as wood and dirt, are separated from the plastics.

Other methods for plastics recycling have been developed in a programme launched in 1974 by the VKE (German trade association of plastics producers) and the West German Government.

This was begun in the wake of the 1973 solid-wastes law, enabling legislation that gave the government the right to ban non-returnable plastics bottles and packaging that could not be recycled.

While no restrictive legislation has been as yet enacted, the measure prompted the VKE to start a five million Deutschmark stud (with half the cost paid by the Federal Government) to develop new plastics recycling technology.

Extensive research is being carried out on the optimisation of processing and sorting technologies for mixed and soiled waste plastics.

On the basis of research work carried out at the University of Hamburg under the VKE plastics recycling programme, a pyrolysis plant with an annual capacity of 6000 tons of plastics and rubber tyres will be constructed in 1981.

Another new recycling technology that the VKE programme has been exploring showa a particularly promising potential. It is hydrolysia, a system designed to reverse the polymerisation process aod break the plastics wastes down into their constituent raw materials.

It is said to be effective with polyamides, polyestera, polycarbonates, polyureas and polyurethaoes. The system is not yet in the commercial stage.

During the next decade, plans call for building 10 plants similar to the one at Reutlinger that will significantly increase output of recycled plastics.

The next plant is scheduled to be completed late thia year in Sunaburg, Bavaria.

The VKE programme on plastics recycling is also active on the non-municipal level. It will provide recycling information to all processors that employ more than 100 people in West Germany.

Even without municipal aid, collecting and reprocessing domestic plastics wastes can be profitable, as two West German processors have discovered. Werra Plastics GmbH in Bad Hersfeld, Hesse, has set up its own system for collecting PE detergent bottles from local households. The company uses recycled product to make PE solar collectors.

And, Regnoform, a processor in Worms, has been collecting used polyethylene bags for fertilisers from farmers, recycling them, and producing film for more agricultural bags.

Considerable international attention has been affnrded this programme, and a PVC recycling programme in France (*NBR*, March 16).

Though the recycling business in New Zealand is still small in comparison to European operations, already considerable amounts of polyethylene film waste are being recycled.

Low density polyethylene film – or shrink wrap – is the most suitable material for recycling as far as New Zealand is concerned because a substantial market already exists for the reconstituted product.

The quantity of waste from some of the country's major industries, particularly the dairy and wine-making industries, has guaranteed the supply of the necessary ingredients for the recycling process.

At the present time New Zealand has not the technology to re-process co-extruded plastics waste, but this is likely to become possible in the near future with Government-supported research programmes.

Bigger machines allows wider range

ONE of the largest injection moulding machines in the country has been installed at Precision Plastics Limited in Mt Albert, Auckland.

The 45-tonne unit can produce mouldings of up to 4.6 kg – double the capacity of Precision's previously largest machine.

"This means our company now has the ability to mould in a very wide range of sizes, from 50 grams up to 4.6 kg," says Precision manager Ross McKinnon.

"Previously, we were limited to 2.3 kg so we can now handle much bigger orders than before."

The machine is currently producing large fish storage crates made from tough plastic providing longer life than comparable wooden crates.

Precision is looking at producing a range of other plastic crates, including collapsible ones, for the fruit and produce trade, butchery needs, and various other industrial uses.

"We are also extending our activity in producing television backs and masks right up to the full 26 inch television size, whereas previously we could only service up to 18 inch models," says McKinnon.

Other possibilities include making plastic chair shells, vacuum cleaner components, truck mud flaps, lobster pots, stock feed boxes – in fact, a wide range of products can be produced on the new machine.

"We can provide out customers with a total moulding capability, including complex designs and sophisticated engineering-type plastics," he sald.

"We offer a complete service, from advice on drawing board design through to tooling of dies in our own workshop, and moulding of products to exact standards."

Processes for PET recovery

THREE processes for recyling plastic soft-drink bottles are approaching commercial viability in the United States.

These developments have taken on a greater significance for the industry here with the introduction of the two-litre beverage bottle to the local market.

The plastic bottle has been introduced by independent bottles of "Coca Cola" aoft drink.

The Australian plastics industry is knowo to be watching each of the rival processes carefully. Plastic soft-drink bottles have been used in that country for a long time.

The process which appears most likely to have relevance to Australian levels of recoverable polyethylene terephthalate (PET) bottles, and the most relevance to recyling practicability in this country has been developed by South Carolina-based Wellmao Industries Ltd.

Wellman's process is producing polyester fibres from recycled PET Bottles.

Wellman, a large textile company, used to card and comb about 60 per cent of the wool used in the United States during the 1960s. It switched to producing polyester fibres when synthetics were introduced.

PET is a polyester resin. Thus it was relatively easy for Wellman to undertake research and development in the prospective field of recyling PET bottles, of which some 1.4 billion were used in the United States last year.

The method Wellman is using on PET scrap involves a process similar to that at a mineral-separation plant, breaking up the material, jigging it, sieving and so on.

In principle, this route resembles an approach developed by Goodyear International Corp at Akron, Ohio, where a pilot-scale plant started up late last year.

The Goodyear aystem, described as low-cost, consists of grinders, air separators and water separators.

The plant uses gravity to separate each component of the bottle. Paper, aluminium, polyester and the polyethylene used to make the base cup on some bottles each have different densities.

After the bottles are ground into small chips, the differences in weight allow the paper to be blown off during air separation, and the polyester to be separated from the polyethylene during water separation.

Polyester is heavier than water and sinks. Polyethylene is lighter than water and floats.

A similar procedure was being worked on to separate polyeater from the alumiolum.

Because of a concentration of some constituents that develops in recyling, the recycled plastics cannot be used in contact with foods, but Wellman is using the fibres for filling pillows, mattresses and so on.

The other process developer is Du Pont which, like Goodyear, is a supplier of materials used in the manufacture of PET bottles.

Retailing

Wellington boom may end up in glut of space

by Rae Mazengarb

A BOOM in the Wellington Retail property development business could see a glut of retail space in the short term, and may serve to inject a lethal over-dose of competition into the sluggish retail trade, according to some observers in the property market.

Retail outlets are being developed throughout Wellington's central business district at a time when retailers haven't got too much to cheer about.

Like other commercial construction programmes, much of the new development replaces the old earthquake-risk premises.

But some property consultants believe that well over holf the area of retoil developments recently completed or under construction is new space, reflecting developers' desires to maximise the zoning provisions of the district scheme.

Some 143,500 sq ft of retailing space has been completed in the last few years. And another 184,800 sq ft will soon be put on the Wellington property market.

One hundred and fifty shops will come on-stream this yeor alone.

David Keys, of Nathans Property Consultancy, said some people would have difficulty filling the space.

Further, unless there was a big increase in retail turnover, some of the better retail developments would do very well, but there would be plenty of casualties, he said.

Cromwell Property Resources Ltd managing director Graham Bringans said that while there wouldn't be wide scope for further retail development, current demond is "very, very strong".

But he recognised it was the old story of "location, location".

Cromwell Property Resources is developing three sites in the Cuba Street-Manners Mall area, a total of 47,500 sq ft, or $8 million worth of total development.

The "Oaks" development on the old Royal Oak Hotel site was 92 per cent leased, although it is not due for completion until October. The other two buildings were fully leased, and Bringans said there were about three large retailers who could not be accommodated in the area.

With the third highest pedestrian count in the city, the area has always been the pivot point between Lambton Quay and Courtenay Place. Yet it is one of the few areas of pure retailing, as distinct from other mixed commercial areas.

Bringans said the retailing space provided by the new development was only marginally more than that demolished.

The tenants were all established retailers either relocating their shops from the immediate area, or from other areas.

The average shop size of around 800 to 800 sq ft could reflect the hike in retail rent to between $25 and $32 o sq ft, compared with "Oak" tenants' previous rent levels of $15 to $20 a sq ft.

But Bringans said that for rents slightly lower thon those paid in some parts of Lambton Quay, the tenants gained security of tenure which they did not have before. They could also take less space in a building specifically designed for retailing, which gave maximum efficiency, he said.

Bringans said that — in the meantime, at least — some of the new retail projects in the Lambton Quay area would affect the business of other new developments.

The Oaks . . . prestige development

But leasing of the Oaks did not require a single advertisement, he said. Normally, first-floor space did not let well for retailing, but a six-metre -wide over-bridge linking the Oaks with the first floor of the James Smiths building across the street made the space more attractive to retailers.

Properties affected will be those in the less attractive locations. The new developments seem certain to attract high pedestrian flows, which means more retail dollars.

The Wellington branch monager of Fletchers' shopping centres division, Paul Kean, agrees that development risks are minimised by location factors, and the "homework" carried out before construction.

Fletcher Developments has under construction 37,000 sq ft of rental space — or 34 shops — in Lambton Quay. And though leasing does not start until a few weeks, Kean is confident the space will go quickly. "It's probably the best retailing area in Wellington."

Peak-hour pedestrian traffic is perhaps the highest in Wellington city, and although Kean could not say what the rents would be, in terms of location, they would be "immaterial".

Keys, on the other hand, said rents — which had lately increased substantially, with rises of 12 to 15 per cent a year in the past five years — were a vital part of the retail equation.

Even those shops which were re-locating would have to pay double the rents they paid in the past, which meant they had to substantially increase turnover to remain viable.

Keys pointed out that inquiries from retailers before completion of a project didn't frequently translate into firm commitments to space.

Even if they did, there was no guarantee the retailer could survive.

Keys said the trend toword smaller shops wos more likely a creation of the developers, because it minimised their casualty risk; retailers, on the other hand, would question whether that trend was the answer to increased retail buainess.

Keys reckoned that retail projects already completed required turnover of $37 million. Those projects still in construction required turnover generated around $57 million.

He took the total area, and used rental figurea based on an average of $20 a sq ft (although the average is more likely $25 to $30) to calculate the total rent bill. Assuming the ratio between rental and turnover was around 6 per cent, he found the total turnover required.

From there, even the most casual observer needs to look only at national retail turnover figures to see that there is little likelihood of massive growth in this area.

After a low of minus 7 per cent growth in 1978, the growth of 3.88 per cent in 1979 was the highest achieved since 1975.

Wellington's static population growth is unlikely to provide real growth in Wellington city retailing.

Yet Keys argues that more thon half the new retail space being created will require new turnover, or an increase of some $47 million dollars.

Keys accepts that developers must be optimistic, but is concerned that if he and others thinking on similar lines are right, Wellington will end up being over-shopped. Retailers will struggle, causing an across-the-board mediocrity of performance.

The answer? "There is no solution as such ... rather caution on the part of developers."

Retailers' Federation secretary David Longsdale said there could be over-capacity in retailing space in the near future. It was a problem discussed by the federation continuously.

But if developers felt they could lease the space, that was over to them.

The federation is not worried about experienced retailers getting into difficulty. "They know what they can afford; they will pay the rents if they know they can generate the business," Longsdale said.

Rather, oewcomers to retailing were likely to cause concern, for two reasons:

- They are more likely to accept without question the higher rents, without realising the volume of turnover required to pay those rents. They will survive for a time, but mony will fail;
- But in the meantime, too often they take away that little bit of extra business which is keeping another retailer viable.

Even successful retailers find the cream drawn off from their business, and that leads to cuts in costs, including staff numbers, often resulting in a loss of service and efficiency.

This has led some retailers to suggest licensing traders. But Longsdale said — the idea is fraught with difficulties, including who should decide using what measure, who ought to hold the licences.

The increased retail space has resulted from the developers taking full advantage of the provisions of the district scheme to maximise space and hence profits.

But if retailers are not able to take up the space, Wellington's central business district may find more service industries taking up prime shopfront space in the future.

Overseas trade

Pamper your sales rep: he's your frontline trooper

by Lindsey Dawson

SPARE a thought for the export executive — underpaid, undertrained and undervalued.

Those conclusions could be drawn from a survey of exporting companies on remunerations and rewards for export executives.

The Export Institute sent 2500 questionnaires to member companies asking about export salaries and conditions last year. Only 127 replied.

Those replies enable a composite picture to be drawn up of the average Kiwi sales rep

Gordon Dryden . . . "I pay my reps more".

abroad, based on 56 professional exporters.

He is 39 and married.

Twenty-five per cent have less than three years' experience in the export field; 50 per cent have been in the business between three and six years; 25 per cent have more than six years' experience.

Only 20 per cent earn more than $24,000 a year; of these, very few earn more than $30,000. Of the rest, 16 per cent are on between $18,000 and $24,000, and 20 per cent between $16,000 and $18,000.

At a seminar to discuss export executives' conditions at the Export Services Fair in Auckland, speaker Gordon Dryden, managing director of Radio Pacific, said his senior sales reps earned more than even the best-paid of the country's export salesmen.

Half the country's export men get tax-free allowances of $500 to $1000, and 40 per cent between $1000 and $2000.

Only one company reported to the institute that it had an incentive commission scheme for its export salesmen.

The salesmen are a bit better off when it comes to home comforts. All have a company car, and 90 per cent have their phone bills paid. Sixty per cent have a subsidised superannuation scheme.

But few received a baggage or clothing allowance, despite the heavy wear and tear on clothes and cases involved in constant travelling. ("They'd be better off in television," commented Dryden. "Reporters get two lightweight suits for a tropical assignment.")

The average trip length was 16 days.

Half of the export men were away from five to 10 times o year, the rest spending more time at home.

The importance of in-flight comfort for the working traveller was highlighted. Most of the salesmen fly business class; some get first-class on long haul flights. Fifty per cent ore allowed to take their wives away once a year, usually on short-haul trips.

The need for more specialist training shows up. Fifty per cent have none at all, and the rest mostly have technical skills rather than marketing or commercial qualifications.

Exporters face stresses and strains not encountered by the overage nine to fiver. The most quoted sources of anxiety are social and family strains, followed by time away from home and general stress.

The most quoted frustrations are lack of managerial support, the problems involved in having to work alone many miles from home, and facing the build-up of work that pilea up on desks while they're away.

Rod McCorquodale, development manager of overseas trade for Fletcher Challenge, gave the seminar his personal ideas on recruiting and keeping top-flight export personnel.

"Firstly, if you are unsure of his judgment, don't send him overseas. Once he is out of sight, he *is* the company," said McCorquodale.

"Don't give anyone a grand title without giving him the resources to accomplish the job and full authority to act."

McCorquodale said some companies were inclined to give their staff fancy titles to impress overseas buyers. But this could do more harm than good, he said.

"Give a young man, who is obviously inexperienced, a title like 'vice-president in charge of overseas operations' and the people he meets are only going to think 'who the hell does he think he's kidding?' "

"Third," said McCorquodale "listen to what your export people say. Many companies have got a little blase about exports."

Inflight comfort . . . It makaa all the differenca.

Another pitfall, he said, was paralysis by analysis. "There are some companies working so hard at analysing things, but it's not always the way to come to a decision."

He said he once saw a market analysis done by an experienced American firm of consultants for the MacDonalds fast-food company. "It cost around $200,000 and was three inches thick. On every page it was clear that the company could not succeed on the Japanese market — the cultural differences, the tastes in the food, etc all proved that it would be lunatic to go into Japan. Fortunately someone thought otherwise because now the MacDonalds on the Ginza is one of the busiest places on the face of the earth."

McCorquodale recommended that export people should be allowed to participate in management decisions affecting exports. And it was important that companies did not have rules which were followed only sometimes.

"It's all very well to say 'mostly we do this or that,' but it's not much help to an export executive when he's 8000 miles away."

Above all, he said, don't have a scale of rewards which guarantees the loss of the best export people and the retention of the worst.

There was a tendency for firms to say that they couldn't pay export salesmen more than the accountant or the marketing manager. "We're getting a reputation for what is called 'executive mobility'. They have that 'looking-around' attitude."

McCorquodale said a "satisfactions package" should be developed for export executives with the following objectives:

- To attract the best. ("In a few years we won't be appointing chief executives without export experience.")
- To compensate for the strains of working overseas. Employers would have to be more mindful of the needs of fomilies, he said, and arrange for such things as home maintenance in the father's obsence, to provide gift, clothing and baggoge allowances, and compensate for lost public holidays. "Some people think never mind, he's been lying on the beach at Waikiki."
- To provide more than adequate insurance. Wives should receive details of insurance.
- To reward success. "Incentive schemes have been worked out and many of them are very effective."
- To allow some discretion. "Export executives don't want to be faced on their return with a tiny-minded accountant still fiddling about over aome minor expense. Give him adequate funds, let him keep reasonable records, and have him return the excess when he comes back."

Government administration

Job creation scheme runs into early snag

by Rae Mazengarb and Ann Taylor

THE Labour Department's latest salve for unemployment – a $3000 suspensory loan for job creation – ran into a snag a month after its inception.

Systems House NZ Ltd, a company registered last year and described as "the silicon chip people," applied under the scheme in February for six jobs.

Labour Department approval was given and payment of $18,000 made by the small business division of the DFC, which administers the loans.

The Porirua-based company paid the six young people $125 a month and enrolled them in computer-related courses at the Wellington Polytechnic.

On March 9 they received a letter from managing-director Gary McCready, advising that the Labour Department had defaulted on its payments, the company was temporarily insolvent, and that "your employment will cease at 4pm today. We will reinstate you when the Labour Department lives up to its obligations".

McCready told *NBR* he had had to hire eight people in Wellington, but the department would pay for only six.

The New Plymouth branch of his operation hired one person, and he said he was still waiting to hear if the department would pay for that employee under the scheme.

The Labour Department is still "grappling" with the New Plymouth application. It has approved it, but the DFC has not provided the funds.

McCready admitted he had already received $18,000 from the scheme, but said the Labour Department promised further payments.

When more money was not deposited into the company's account, "all the pay cheques bounced," he said.

At that point one employee resigned, the others were dismissed.

The small business division of the DFC is responsible for the security, documentation and dispersal of the loan after the Labour Department has approved it.

The DFC has initiated legal action for the repayment of the loan to Systems House. Under the conditions of the agreement the jobs must remain for two years. But the DFC might have trouble enforcing repayment because a personal convenant clause was inadvertently left out of the agreement.

The suspensory loan, operational from January 7, is available to export, import-substitution and tourist-oriented businesses. If the additional job created is still going in two years, the loan does not have to be repaid.

McCready said he planned other operations, to carry on business as computer stores in Whangarei, Auckland, Tauranga, Napier, Masterton, Palmerston North, Blenheim, Christchurch, Dunedin, Greymouth, Invercargill and Nelson, "subject to the Labour Department approving the plans".

His business, he said, was selling micro-computers with software incorporated, and his market was businesses in the manufacturing, farming and tourism sectors.

His company was incorporated last year with capital of $5000 but he said he would ultimately employ people on three levels: computer trainees, installation specialists, and "top-grade" computer consultants.

Qualifications for the trainee position were good passes at the fourth-form level, but McCready said good character was essential because there were "so many scandals in the computer business in New Zealand".

He said his company did not hire civil servants to do moonlighting jobs, although half the inquiries for programming work before Christmas had been from civil servants wanting such jobs.

McCready told *NBR* he had some 13 years in the computer business since he gained a New Zealand Certificate of Engineering in Telecommunications.

Since then he has held a number of jobs for different employers, particularly in Canada, where he said he was involved in nuclear power stations, trans-continental communications, data communications and computer software.

NBR understands that on his return to this country he worked for the State Services Commission until his probation period ended last year.

Computer sources say the release of information to a Wellington newspaper may have been a major factor in the loss of the job.

McCready said that although he did speak at one time to a reporter about alleged improprieties among State Services Commission staff and possible conflicts of interest, the main reason he lost his job was that he complained.

At the time, criticism over the choice of the controversial health computer was making headlines in the *Evening Post*.

McCready denies leaking information about the computer. But he acknowledges making allegations of corruption. He still maintains that those allegations were well-founded, but suggested the quickest way for SSC to solve the problem was to "get rid of the guy who complained".

McCready had told *NBR* previously that last year's setting-up of Systems House was merely the incorporation of an existing business, Digital Computer Associates, set up in 1977.

He said that in spite of the current problems, the company already had two projects at the installation stage for manufacturing and agricultural organisations in the Wairarapa, and three more at the consultancy stage.

So far these current projects had grossed $30,000, he said.

A spokesman for Wairarapa-based Batavian Rubber said McCready's company had modified its payroll system, at a cost between $300 and $400.

Another Wairarapa company, Parkvale Mushrooms, employed Systems House, which so far has completed about $1000 worth of work.

Asked how many jobs he was providing currently, McCready said that was a "political issue". Staff had been laid off temporarily until the Labour Department "fulfils its commitment to us".

Meanwhile his company still holds the $18,000 already paid, DFC officials said.

Defending the low rates of pay for the young trainees, ($125 a month), McCready said he had also paid their fees, plus money for books for the polytechnic course which they attended from 8 to 12 hours a week, extra to the 30 hours or so of work for the company.

McCready claims that in some cases he also bought clothing and petrol for them.

McCready hired a lawyer to take up his case with the department, but the other day he told *NBR* the difficulties had been resolved.

The Labour Department had confirmed the New Plymouth appointment, he said. "From that, the rest will follow."

NBR understands the DFC and Labour Department have become concerned that McCready is not meeting the "normal obligations of an employer" and will not supply further funds.

Meanwhile, he has applied for the unemployment benefit.

It was a valid application, he said, because he was now unemployed. His wife would continue to run the business in a caretaker capacity.

"I'm just an honest, hard-working computer consultant, trying to do a job," he said.

Taxation

Lemmington's Baillie shy about all the publicity but it still boosted business

by Lindsey Dawson

LEMMINGTON Holdings has been the focus of a barrage of publicity since Christmas, prompted by full-page ads urging people to turn their tax liability into profit, and by a *New Zealand Herald* supplement on the opening of the company's plastics factory by Prime Minister Rob Muldoon.

Since then tax avoidance has been argued on talkback radio and irate letters have been written to editors about the morality of the rich getting hand-outs. And people with high incomes who want to save on tax have almost been queuing at Lemmington's Penrose dour.

The publicity hasn't been altogether welcomed, according to governing director Lance Ballie.

"I know it doesn't appear so but I like to keep a low profile," he told *NBR*.

"I'm a private person, I don't like publicity. I've got far more publicity than I ever wanted or envisaged. It's probably the only penalty involved in the whole business.

"Most of the people who bale us up do not understand it. If they give us the time, and we're happy to do it, it'll take about two hours, but as long as they're reasonably intelligent they can understand it, and we like them to follow it up just to make sure.

"It's the misconceptions and the lack of knowledge that brings forward criticism, and I'm very disappointed that we get criticism from professional people.

"What must be said is that the tax reduction that people are enjoying is principally channeled into making products for export, and from that everybody benefits."

The publicity haa certainly boosted public participation in the company's three areas of operation. By now the plastics syndicates will be fully subscribed; Lemmington has double the applicants it needs for yacht mould syndicates. Film-making is the third activity, and interest is asid to be high in a film-making venture.

Plastics are Lemmington's mainstay. Baillie has been in the business for 25 years, and since 1977 has been working with technical manager Charles Borrett.

"I'm more marketing orientated and he's more technical. This is no single person's idea. You bounce thoughts off each other".

Lemmington was formed in mid 1978, incorporating Baillie's old company, New Zealand Tool and Die Exchange, which had not been remarkably successful. The home market was too small and the downturn in the economy affected sales, says Baillie.

Only wheo the company moved into exports with its own products several years ago did business take off.

The first two weeks of selling products aimed at the Australian market resulted in million-dollar-plus export orders, Baillie says — but it wasn't plain sailing. "Unfortunately we had problems with some of those orders so it wasn't all success", he admits.

His North Shore factory today is turning out elegant plastic "glasses" which, along with other housewares like mixing bowls, dinner sets and kitchen containers, keep the plant running 24 hours a day, seven days a week, filling forward orders from the United States and Australia.

About 95 per cent of production is headed overseas, which is why the glasses, ranging from $9 to $17 a set, are not seen much on the local market.

Nevertheless, some earlier syndicate members have expressed misgivings. "We won't be reinvesting," said a member of one syndicate which has an 18-month contract. (New contracts are different and run for three years.)

He said aales of the product made from his syndicate's die had been very low, and that last year they had a battle with Inland Revenue officials to win approvsl for the IR23 forms, which allow them to divert tax money into their export investment.

"You have to be able to show proof of export sales and as far as we know they've been almost nil for our product. We have our fingers crossed that they'll play ball this year, or we might have to find enough money to pay tax as well as the die payment."

The investor said that "miracles would have to happen" to sales figures before the syndicate would consider reinvesting.

Syndicate members ore liable only for the contract to buy the die, and the group to which the investor belonged has a guaranteed profit clause which promises minimum sales, plus a promise that Lemmington will buy back their die at the end of the contract (at 12.9 per cent of the purchase price).

That protection is a two-edged sword; olthough they are protected from market vicissitudes, they have no control over how the product from their die is marketed.

"If you've got a great product which Lemmington is pushing hard then I'm sure you'd do well. It's just a pity that our product doesn't seem to be one of the top lines," the investor said.

Other investors seem as happy as he is disappointed. "I feel really good about it — it's great to think that you're employing people and doing some good as well as keeping your dough away from the taxman's pockets," said one.

Baillie said the schemes had been planned very carefully. The company employs five accountants and three solicitors.

"Inland Revenue has assessed and investigated the total proposal in absolute depth," Baillie said.

"When we received the first approval in April '78 they told us they'd look at us later on. They did in March of last year and wrote and said they were very pleased with the way we were operating."

Lemmington has set up its own companies in Australia and the United States to market its products, and a Canadian marketing set-up is being finalised.

The comany was concentrating on long-term planning, said Baillie.

"We've been almost begged to put our products into [illegible] plan, but we would get too many orders to cope with and the interest would wane very quickly."

He said the company was now in a "very satisfactory" situation for the next 12 months in marketing oew products. It was essential to extend the product range to make Lemmington more attractive to buyers.

Baillie said that $4 million worth of plastics were exported in the company's first [illegible] months of the syndication scheme. There had been a downturn ofter Lemmington's first surge, but sales were up again, he said.

There were 20 partnerships ot that time; now there are about 100.

Each group owns a different die and employs between $100,000 and $400,000 capitol.

Several thousand individuals were involved in the syndicates, Baillie said.

Lemmington added yachts to its stable when boat-builder Evan Julian approached them.

"I find the boat proposal very exciting because we've had results when we haven't even completed a boat yet," said Baillie. "The manufacture of boats, particularly expensive yachts, has never been done on a grand scale here before. We're setting out to make a lot."

Two firm orders and one tentative one have come from the United States, and a factory has beeo leased in Whangarei, Baillie claimed.

There are further marine proposals in the wind. A South-east Asian firm with 320 boats has asked Lemmington to quote on 100 replacements for its fleet, he claimed. "Another well-known builder has come to us with plans for a luxurious cruising yacht and we're taking these to America to get reaction," he said.

Plastic dies and yacht moulds both come under the same type of export contract scheme, but films are "special partnership" arrangements.

Lemmington is looking for investment in films from companies with million-dollar tax bills, rather than individuals with mere $20,000 bills.

Lemmington shelved plans for a million-dollar movie called *Flashpoint*, because it was unable to secure the star it wanted for the lead.

On the drawing-board now is *The Dawn of Time*, a fantasy tale budgetted at some $5.5 million.

Baillie is the money man, not the creative artist, and he lets slip that the movie is "a terrible — no I shouldn't say that — it's the opposite end of *Star Wars*, right back into time, but with the same sort of creatures."

Baillie maintains there are cost advantoges in making films in New Zealand. Some other film-makers disagree, saying that only the wages are lower.

Baillie declines to be drawn into debate — "just take my word for it."

"I spent five weeks in Pinewood in London last year, talking to directors, producers, accountants and lawyers specialising in this type of field and it became quite obvious that we could do the films in New Zealand," he said.

"But we set some criteria. There had to be on international star.

"We're entering films as a business deal. We're going there to make a profit.

"Films are notoriously bad investments. The ratio is seven to 10 — seven just meet or don't budget, the other three are in the profit area.

"We also insist on an international, well-known director, we had to have it tied in to a distributor who was recognised throughout the world, and we had to have some guarantees with it."

Lemmington spent nine months putting the legalities together.

"The amount of documentation we've done is unusual," Baillie said. "It's very much a trust area but we felt we couldn't work that way because we were calling for investment. Also, we were aware that in the past there have been some substantial rip-offs, so all the money will be handled by NZI Trust to make it totally credible."

Baillie said the film, which would be financed 50 per cent by New Zealanders, would have as much New Zealand content as possible.

"There are a lot of misconceptions. It is not just a tax avoidance dodge. Our tax laws don't allow that, believe me, I know what I'm talking about."

Baillie said that even if a film were made here, totally financed from overseas and with no New Zealand labour content, it would still be good for the country because plenty of money would come in.

"So while Actors' Equity might get upset, and quite rightly so, a benefit would still be there. But that's not our approach. Ours is to have the maximum possible New Zealand content with the exception of the main stars and the director."

Special effects cameramen would be brought in, too, because there were no New Zealand experts in the field, he maintained. "The spin-off will be great. New Zealand people will learn a lot".

Baillie said he couldn't say if the movie would make money or not — "but it certainly meets all the criteria that we call important."

He said the distributors had already pre-sold the film — "and we have some guarantees in the area of $1.2 million" — to cable TV in the United States. Lemmington's critics in the film industry say overseas experience shows that selling films as tax breaks has only led to unsaleable films being made.

They also point out that nowhere in Lemmington's literature on the film investment for the movie *Flashpoint* was there any indication of what the film was about.

Baillie said the five investors who bought into the *Flashpoint* proposal with a 1 per cent deposit had been refunded their money and each reinvested in the *Dawn of Time* film.

Flashpoint had a budget of $1 million which Lemmington would have financed initially, Baillie said. *Dawn of Time* is much more expensive.

American investors would provide loan finance of $2.6 million and New Zealand investors would put up $2.6 equity finance paid over two years, he said.

THE governing factor for potential investors in Lemmington's export contracts is that they must have a relatively high income.

The company uses $40,000 in its advertising because it is easy to work the figures in round sums, but people with more than $25,000 in steady incomes are potential investors. Salaried and self-employed workers are eligible.

Lance Baillie said the DFC had put together export investment allowances on the basis of a three-year export plan.

The plastics dies cost from $80,000 to $400,000, and the company calls for a 20 per cent deposit. "We finance the rest over the next two or three years. There are no interest payments. We have the die, it's starting to produce income and we're also getting commission on everything that's sold so we're not losing on it, I assure you," said Baillie.

The figures for the first year of investment certainly look rosy, but results for the second and third years are harder to predict because they depend on how well the products sell.

Take a person earning $44,000, on which he's paying tax of $21,880. He could invest, say, two years' tax payments. Make it a round figure of $43,000. He can choose a lesser amount if he wishes, but Lemmington usually recommends that two-year figure.

To get in before the end of the financial year, he would have needed to put down a 20 per cent deposit now ($8800) and the balance will be paid off in 38 monthly instalments of $955.55.

This is his tax situation as at March 31 1981:

Total gross salary	$44,000
Claims: 50 per cent depreciation	$21,500
20 per cent export investment allowance	$8800
20 per cent regional development allowance	$8500
Deductions	$38,700
Which reduces his taxable income to	$5300
On which tax is	$850
He has paid tax of	$21,680
His adjusted tax is	$850
Which gives him a refund of	$19,830
Less his deposit of	$8600
So his net cash gain is	$11,230

This is his to use as he likes, but he might be wise to put some of it aside rather than indulge in a spend-up, because tax savings in year two are not so easy to predict. The depreciation claim is successively halved in years two and three, and he can't claim any more on export investment or regional development allowances.

But there is a 25 per cent export sales incentive, plus profit payments, so his future returns are pretty much dependent on Lemmington's ability to get out and sell. The company's plastics production has been running at full stretch on orders, and the firm is confident in its ability to continue to sell overseas.

If things don't work out so well, and sales figures are only 20 per cent of target, the investor would still be at the break-even point in his second year's tax situation, bearing in mind that he received a healthy cheque in year one.

Obviously if Lemmington meets its targets, or better, the investor will be commensurately better off. Yacht mould partnerships work in the same way.

Eyes on US market for yachts

LEMMINGTON Holdings executives kept an eagle eye on the Admiral's Cup trials in Auckland. One of the contenders, the 46ft Marac, is the forerunner of the soon-to-be-produced Lemmington yacht.

Lemmington Marine is one of three export-orientated divisions of the company, and Marac's performance could determine the success of Lemmington's sales in the United States.

Some 20 investors, lured by the prospect of tax write-offs plus potential profits, have put money into the hull mould, and work is under way on the first yacht at Lemmington's Whangarei factory. It should be completed by late June.

It is a Sparkman and Stephens design, and chief designer 25-year-old Bill Langan was in Aucklond during the trials to see Marac in action and talk with Lemmington Morine.

The Lemmingtun yacht will sell in the United States for about $300,000. It will be offered in cruising and racing formats.

Lemmington Marine's general manager Garry Toulson said shipping and brokerage costs were extremely high, and that the yachts were competitively priced for the American market.

Toulson said that in the initial two-year period of manufacture, Lemmington would make between 10 and 50 yachts, depending on sales.

"Ten is the minimum to make it financially successful. Fifty is the maximum we could produce".

Said Langan: "If we can sell 50 we'll be working our tails off."

Maroc has been designed with Solent waters in mind. The tricky depths there made a shallow draught desirable.

The draught will be deepened for the Lemmington yacht, and other modifications made.

Toulson is visiting the United States for three weeks to survey the sales potential and, hopefully, get confirmed orders for the yacht which is a medium displacement boat with a fractional rig.

Most of the hardware and fittiogs oo the boats will be American-made, but tenders have been called for from New Zealand sail-makers.

At least two yachts will be manufactured before firm sales are made.

Evan Julian will race one in the Southern Cross series later this year, and the other will go on display at major American yacht fairs.

Toulson said a decision would be made in a few months on whether to manufacture a cruising boat as well as the racing yacht.

Langan said that with the right marketing approach, selling a "foreign" boat on the American market need not be difficult.

Bringing out the stars

YUL Brynner, Christopher Atkins (who starred with Brooke Shields in *Blue Lagoon*) and Valerie Bertinelli are said to be due in New Zealand at the end of the year to begin filming for Lemmington Holdings' movie, *The Dawn of Time*.

Lemmington's governing director Lance Baillie told *NBR* that final planning details were almost complete, following the visit to Auckland of Hollywood producer Spencer Young.

Pre-production planning would take until September or October and filming would begin soon after, he said. The movie would take 10 months to make, and would be released for the northern summer movie season.

Local investors were already lined up and it was just a matter of "crossing the t's and dotting the i's," said Baillie.

He would not identify the investors or give any financial detail because their contracts had a confidentiality clause.

The Dawn of Time is a fairy-tale fantasy which apparently seeks to draw in the market which has flocked to such sci-fi movies as *Star Wars* and *Lord of the Rings*.

It is set in a mythical land called Olta, and tells a classic tale of a battle between the forces of good and evil. The goodies are trying to wrest control of a mystical artifact called the Orb from the baddies, who have the help of dog-like guards called Zaffids.

Along the way there is plenty of opportunity for the special effects people to ply their trade as the goodies have to run the gauntlet of such [illegible] heavily guarded Sky[illegible] invisible river where [illegible] attacked by a giant [illegible] attack by a huge [illegible] tures and the unwa[illegible] tions of beautiful [illegible] with lethal rubbery [illegible]